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# ***JPRS Report***

## **China**

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CHINA

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## BEIJING RIBAO LAUDS CONTRACT RESPONSIBILITY SYSTEM

OW160758 Beijing XINHUA in English 0747 GMT 16 Apr 87

[Text] Beijing, 16 Apr (XINHUA)--The contract responsibility system, introduced earlier this year in 100 of Beijing's larger enterprises, is showing positive results, according to today's BEIJING DAILY.

The report said, "Eight of the enterprises now under the system reported a 10 percent increase during the first quarter of this year in industrial output value, and profits and taxes turned to the state."

"Under one- or four-year contracts signed with the municipal government, after turning in a fixed amount of profit and taxes to the state, participating enterprises can keep excess funds for technological upgrading, and salaries for enterprise workers are linked to the overall success or failure of the business," the report said.

"Production at the Beijing Heavy Electrical Machinery Plant, one of the eight successful enterprises, has been increasing this year, because worker incentive has been motivated," the report said, adding the Beijing No 1 Machine Tools Plant has finished renovating a 1,100-square-meter workshop in just two months, and is now operating more efficiently.

The 100 enterprises under the new system provide 60 percent of the Beijing's total industrial output value and 65 percent of the city's industrial profits and taxes.

"The municipal government offers flexible terms under the contract responsibility system to suit the conditions of each enterprise," the paper added.

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CSO: 4020/193

## NINGXIA ECONOMIC GROWTH FASTER THAN NATIONAL AVERAGE

OW292016 Beijing XINHUA in English 1455 GMT 29 Apr 87

[Text] Yinchuan, 29 Apr (XINHUA)--Economic growth was faster than the national average in northwest China's Ningxia Hui Autonomous Region in 1986, said the newly elected Regional Chairman Bai Licheng.

Last year, the region's gross social product increased by 12 percent over 1985 to six billion yuan (about 1.62 billion U.S. dollars), compared to the national figure of 9.1 percent, he said.

His remarks were contained in the regional government's work report to the regional people's congress, which elected him chairman to replace Haji Hossain Hei Boli, who has been elected chairman of the standing committee of the regional people's congress.

Total industrial and agricultural output value increased by 10.9 percent and local revenue rose by 11.2 percent last year, compared to 1985 figures, setting all-time records for the autonomous region, said Bai.

The chairman attributed the faster growth to greater financial inputs into the agricultural sector and key infrastructural projects in the past year that greatly improved production conditions.

Foreign trade was expanded by a hefty 43.8 percent in value terms, the major foreign exchange earner being coal, he said.

At the same time, average annual income for urban workers jumped by 17.7 percent over 1985 to 1,420 yuan and per capita income in rural areas climbed 16.2 percent to 378.8 yuan, said the chairman.

The region has an area of 66,400 sq km and a population of 42.43 million. One-third of the population belongs to the Hui (Moslem) ethnic group in this inland region.

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## TELEPHONE, RAILWAY LINES RESTORED IN FIRE AREA

OW160718 Beijing XINHUA in English 0658 GMT 16 May 87

[Text] Tahe-Harbin, 16 May (XINHUA)--All wire communication and railway lines have been restored in fire-affected areas in northeast China as fire-fighting continues into the 11th day here today.

Rail transportation between the 16 stations in the fire area has returned to normal. The rail lines can handle 16 freight trains and two passenger trains a day, said officials at fire headquarters here.

Railway departments have run some 70 special trains to support fire-fighting. They have delivered a total of 150 rail car loads of fire extinguishers, medicine, clothing, blankets, food, fuel and transported more than 30,000 people out of the area.

Wire communications have been reopened throughout the area early yesterday evening. Outside communications were cut in some areas for eight days, said the officials.

Makeshift telephone lines have also been opened between railway stations, said the officials.

Fire fighters are concentrating their efforts on extinguishing the fire in the east fire zone hoping to prevent it from spreading to the west zone.

Large quantities of relief materials are being collected by the state government and sent to the area. People in many parts of the country have donated money and belongings to fire victims, said officials.

The Insurance Company of China has made a 50 million yuan (about 13.5 million U.S. dollars) advance payment for damages to the worst-affected enterprises and households in the area. Company executives told XINHUA it will pay the full cost of repairs to its policyholders when damages are finally determined.

The Food and Agriculture Organization and World Food Program of the United Nations, the Canadian Embassy in Beijing and other parties have expressed willingness to provide aid to fire victims, said the officials.

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CSO: 4020/193

## ANHUI GOVERNOR STRESSES INDUSTRIAL PRODUCTION

OW101123 Hefei ANHUI RIBAO in Chinese 11 Apr 87 p 1

[Excerpts] The Anhui Provincial Government convened a telephone conference to sum up and analyze industrial production in the first quarter and to map out economic work for the second quarter on the evening of 9 April. At the conference, Provincial Governor Wang Yuzhao called on the leading cadres, workers, and the people in various localities in the province and on various fronts to brace themselves and go all-out to overcome difficulties in a down-to-earth manner and further intensify the campaign to increase production, practice economy, raise revenues, and reduce expenditures, and strive to seize fresh success in industrial production in the next few quarters of the year.

Governor Wang Yuzhao said: Thanks to the launching of the campaign to "increase production, practice economy, raise revenues, and reduce expenditures," industrial production in Anhui Province was good in the first quarter. First, there was steady and coordinated development. The total industrial output value for Anhui Province reached 6.09 billion yuan, or an increase of 9.5 percent over the same period of 1986. Both production and sales of light and heavy industries, state-owned and collectively-owned, registered growth in a comprehensive way. Second, there was an improvement in economic results. Compared to the first quarter of 1986, the profits and taxes of budgetary industrial enterprises rose 11.4 percent, the profits and taxes delivered to the state increased 11.5 percent, and the turnover period of the fixed working funds was shortened by 4.2 days. The gross retail sales of social commodities rose 21.7 percent while foreign exports soared 39.6 percent. Revenues continued to rise month by month and the growth rate of the first quarter was 3.5 percent. Third, the production of goods aiding agriculture phenomenally increased. Fourth, the production of marketable light industrial and textile products and electronic goods continued to grow. Fifth, power generation and supply was comparatively good. Compared to the same period of 1986, the province's power generation grew 15.39 percent in the first quarter, and power consumption increased 10 percent. Sixth, growth was also reported for local passengers and cargo transport.

In his speech, Governor Wang Yuzhao also stressed industrial production in the second quarter, the golden season of industrial production of the year. To ensure overfulfillment of the annual production plan, we must strive to increase industrial output value in the second quarter by 7 billion yuan, or an increase of 11.6 percent. The various economic indices must also show

improvement over the same period of last year. The various prefectures and cities and trades and professions must take responsibility for improving the indices. He called on the government at all levels, the various departments and enterprises to do the following tasks well.

--Continue to deepen the campaign to "increase production, practice economy, raise revenues, and reduce expenditures."

--Continue to vigorously boost production of marketable products and foreign exchange-earning export goods.

--Drastically conserve energy by reducing consumption.

--Energetically advance technological progress.

--Deepen reform and further activate the enterprises.

--Hed development of the urban collectively-owned small industries, the country industries, and the village and township industries.

Zhao Huaishou, secretary-general of the Provincial Government, chaired the telephone conference, and presented concrete opinions for implementing the guidelines of the conference.

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## GANSU MEETING URGES GREATER EFFORTS IN INDUSTRY

HK090517 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 8 May 87

[Excerpts] The Provincial Government held a telephone conference on industrial production on the evening of 8 May, to call on the workers to deepen enterprise reform, launch an extensive drive to increase production and practice economy and increase revenue and economize expenditure, and strive to fulfill half the year's target in half the year.

Vice Governor Zhang Wule first reported on the situation in Gansu's industrial production in the first four months of the year. He said: Production maintained the momentum of continued increase during the period, spurred by the double increase and double economy drive. Industrial output value rose by 4.02 percent compared with the same period last year. Compared with the whole country, however, the fulfillment of industrial tasks was not good enough, and output value did not meet the required rate.

Zhang Wule outlined the industrial tasks for May and June. He said: The general demand during this period is to closely integrate the double increase and double economy drive with deepening the enterprise reforms, focus on economic results, recoup shortfalls, and strive to fulfill half the year's task in half the year. It is necessary to get a good grasp of the following work:

1. Integrate the double increase and double economy drive with deepening the reforms, and promote the contract responsibility systems under leadership and in a measured way. The current focus in enterprise reform is on reforming the internal operational setup in the enterprises and seriously instituting a variety of contract responsibility systems.
2. Do a good job in generating and supplying electricity and consuming it in a planned way, to ensure the needs of industry. The economics commissions at all levels must help the electric power departments to maintain a balanced supply and practice rational distribution and consumption. The principle in distribution is to first ensure power supplies for agricultural irrigation and for people's daily life. In power for industry, it is first necessary to ensure the needs of export products, goods with a ready market, and enterprises with good economic results, and also to take care of enterprises whose production operations are continuous. In all power consumption, it is essential to insist on planned and economical consumption.

3. Get a good grasp of reducing deficits and increasing surpluses and improve economic results. The departments and areas must gradually analyze the reasons for deficits in loss-making enterprises, propose measures, formulate responsibility systems, and set a deadline for cutting deficits.

4. Seriously resolve the shortages of foreign exchange and raw materials, and vigorously develop output of products with a ready market.

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CSO: 4006/698

## GUANGDONG REPORTS 1ST QUARTER INDUSTRIAL ACHIEVEMENTS

HK071544 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 7 May 87

[Text] In his report yesterday afternoon to the 26th meeting of the Sixth Provincial People's Congress Standing Committee, (Zhang Gaoli), chairman of the Guangdong Provincial Economic Commission, said: Our province's industrial and communications system has won initial success in launching the "double increase and double economy" campaign. The whole province's total industrial output value during the first quarter of this year increased by 23.77 percent as compared with the same period last year, thus topping the national growth rate of industrial output value.

(Zhang Gaoli) said: The "double increase and double economy" campaign launched by our province's industrial and communications system has also achieved the following results: during the first quarter of this year, there was a substantial increase in the output of marketable industrial products, the export of industrial products continued to gain excellent momentum, the whole province's foreign-trade purchasing volume of industrial mineral [gong kuang], light industrial, textile, and processed agricultural and sideline products increased by 57.7 percent as compared with the same period last year; and the foreign exchange income from exports increased by 79.5 percent as compared with the same period last year. As regards budgetary economic results achieved by our province's state-run industrial enterprises during the first quarter of this year, the growth rates of their total output value, income from the sales of their products, their accomplished profits and taxes [shi xian li shui], the profits and taxes they turned over to the state, and their all-personnel labor productivity all topped the average national levels; and the growth rates of their income from the sales of their products and the profits and taxes they turned over to the state topped the growth rate of their output value.

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## GUANGXI LEADER REVIEWS ACHIEVEMENTS OF 1986

HK090147 Nanning Guangxi Regional Service in Mandarin 0930 GMT 8 May 87

[ "Excerpts" from Part One of Government Work Report Delivered by Guangxi Regional Government Chairman Wei Chunshu at 5th Session of 6th Regional People's Congress in Nanning on 7 May--recorded]

[Excerpts] The year 1986 was the first year of the Seventh 5-Year Plan. Under the correct leadership of the CPC Central Committee and State Council, the Regional People's Government adhered to the four cardinal principles and to the principle of reform, opening up, and invigoration, and carried out its work closely centered on the Seventh 5-Year Plan guiding ideas and goals adopted by the fourth session of the Sixth Regional People's Congress.

Last year the region's total social output value was 29.386 billion yuan at constant 1980 prices, an increase of 9.03 percent over 1985. This included total industrial and agricultural output value of 23.419 billion yuan. A rise of 9.5 percent. National income was 13.982 billion yuan, a rise of 8.8 percent. Local financial revenue was 2.532 billion yuan, an increase of 12.6 percent. Average worker wages rose by 19 percent; after allowing for rising prices, this was a rise of 12.1 percent in real terms. Average peasant income was 316 yuan, an increase of 4.3 percent over 1985. Total urban and rural savings deposits at yearend were 4.8 billion yuan, an increase or 40 percent compared with the beginning of the year.

With the exception of average peasant income, the above-mentioned indicators reached or slightly exceeded the national average growth rates. This success has created an excellent start for accomplishing the Seventy 5-Year Plan in the region.

In 1986 the regional government focused on the following tasks: 1) Strengthening basic agricultural work to promote the development of rural commodity economy; 2) continuing to carry out urban economic structural reforms, thereby invigorating the enterprise to some extent; 3) getting a good grasp of key construction work and technological transformation to boost the reserve strength for economic development; 4) adhering to the principle of opening up to the world and expanding foreign economic relations and trade; 5) taking positive steps to speed up development and construction in poor areas and promote the work of extricating them from poverty and making them rich; 6) strengthening the building of socialist spiritual civilization, and attaching

importance to the development of science, education, culture, public health, physical culture, and so on.

Of course, the complete accomplishment of all the tasks of the Seventh 5-Year Plan requires the hard and concerted efforts of the people of all nationalities. At the same time, we also realize that first, in carrying out its work the government must at all times fully implement the line of the 3d Plenary Session of the 11th CPC Central Committee and keep a firm grasp on its two basic points, that is, adhering to the four cardinal principles and persevering in reforms, opening up, and invigoration. These two are unified and inseparable. We must also unswervingly implement the principle of simultaneously building the two civilizations. Only thus can we ensure that economic construction and reforms will develop healthily along the socialist orientation and build socialism with Chinese characteristics.

Second, reform is a revolution that has to advance in the course of (?practice). All departments, sectors and trades must base their work on the overall situation and persevere in carrying out coordinated reforms, unite and concert their efforts, promptly study the new situations and problems that arise in reform, and work together to make a success of reforms.

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## GUANGXI GOVERNOR DISCUSSES IDEOLOGICAL ISSUES

HK110137 Nanning Guangxi Regional Service in Mandarin 0930 GMT 10 May 87

[ "Excerpts" from part Three of Government Work Report Delivered by Guangxi Regional Government Chairman Wei Chunshu at Fifth Session of Sixth Regional People's Congress on 7 May--Recorded]

[Excerpts] We must adhere to the four cardinal principles, strengthen the building of spiritual civilization, and consolidate and develop the political situation of stability and unity. Premier Zhao Ziyang pointed out in his government work report that China's construction, reforms and opening up can at no time do without political stability and unity. The current key task in the political and ideological field is to conduct extensive education in upholding the four cardinal principles and oppose bourgeois liberalization. At the same time, we must step up the building of socialist spiritual civilization, so as to consolidate and develop the political situation of stability and unity, and fundamentally ensure the smooth progress and healthy development of construction, reforms, and opening up.

The struggle against bourgeois liberalization is related to the success or failure of the socialist modernization drive and to the future and destiny of the state. We must attach great importance to this problem, fully understand its gravity, and take a firm and clear-cut stand in opposing bourgeois liberalization.

In common with the whole country, since the 3d Plenary Session of the 11th CPC Central Committee, our region has carried out the work of handling problems left over from the cultural revolution, brought order out of chaos, seriously rectified the party, and achieved stability and unity. As a result, the people of all nationalities in the region are in high spirits for building the four modernizations with a will. We must cherish and preserve and develop the excellent situation of stability and unity, and promptly eliminate and correct factors for instability.

In opposing bourgeois liberalization, we must take a resolute approach and a firm and clear-cut stand, and also pay attention to policies and methods. We must ensure the healthy advance of the struggle.

To continually promote the building of socialist spiritual civilization is a guiding principle we have consistently upheld and is also an important goal in opposing bourgeois liberalization. In building socialist spiritual civilization, we must seriously strengthen and improve ideological and political work. At present, this work must be based on doing a good job of positive education in opposing bourgeois liberalization. We must take a firm and clear-cut stand in publicizing the four cardinal principles, the situation at home and abroad, and the principles and policies of the party and state. We must publicize the tremendous achievements gained on all fronts in the country and in our region since the 3d Plenary Session of the 11th CPC Central Committee and the benefits they have brought to the masses. We must publicize the superiority of the socialist system and apply the method of setting out the facts, speaking reason, and providing patient guidance to eliminate all kinds of ideological apprehensions and obstacles that affect construction and reform.

We must do a thoroughly sound job in education, culture, public health and sports.

The government at all levels must take the initiative in opening up a variety of channels for regular dialogue with the masses. We must seriously implement the NPC Standing Committee decision on stepping up legal education and preserving stability and unity. We must carry out activities to popularize common knowledge of law.

We must continue to crack down according to law on all hostile elements who sabotage the socialist system, punish economic and other crimes, and put a stop to various ugly phenomena in society. We must put a stop to all activities that disrupt social order, and promptly mediate and deal with serious disputes among the people and social contradictions.

We must continue to carry out education for the people in the Marxist view of nationality and the party's nationality policies, expand exchanges between nationalities, and promote a harmonious atmosphere. We should strengthen unity, so that the nationalities will depend on and spur each other and all will work together to build Guangxi.

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PROVINCIAL

ECONOMIC

GUANGXI PROVINCE PROMOTES URBAN CONSTRUCTION

HK110823 Nanning Guangxi Regional Service in Mandarin 0930 GMT 8 May 87

[Excerpts] Our region has scored relatively great achievements in promoting urban construction over the past few years.

Our region has achieved a 17 percent annual rate of increase in completed fixed capital construction investment in urban construction, and has also scored achievements in developing, to varying degrees, our urban water supply, drainage works, roads, bridges, public transport facilities, parks, afforestation, and environmental sanitation. Of these achievements, our own Nanning City and Henan Province's Zhengzhou City jointly rank first in the whole country for afforestation. Nanning City's daily per-capita water supply has reached 250 liters, thus ranking second in the whole country.

Due to our region's relatively backward economy, the level of our urbanization is below the national average level, and much of our cities' construction work is not synchronized [tong bu] or coordinated with our social and economic development. To give full play to our cities' manifold functional roles in promoting modernization, the autonomous regional people's government has stressed the necessity of upholding the guiding principle for enabling the people to build the people's cities, and emphasized that it is imperative to successfully manage and use our limited construction funds for the purpose of spending the funds on those much-needed projects that can produce good economic and social benefits [jing ji xiao yi she hui xiao yi].

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## GUIZHOU GOVERNOR DISCUSSES ENTERPRISE REFORMS

HK070251 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 6 May 87

[Excerpts] In his government work report to the fifth session of the Sixth Provincial People's Congress, Governor Wang Chaowen proposed that, to deepen enterprise reforms and invigorate the enterprises, it is necessary to carry out reforms in three aspects:

1. Reform the operational mechanism of the enterprises. In accordance with the principle of separating ownership from operational powers, we should allow and encourage the enterprises to adopt a variety of contract responsibility systems. Enterprises that have already instituted such systems should also carry out bold exploration in methods in light of their actual conditions.

2. Reform the enterprise leadership mechanism. In accordance with the demands of the CPC Central Committee and State Council on reforms of the enterprise leadership mechanism, we should unswervingly promote the responsibility system for plant managers and directors and gradually institute the system of responsibility of a manager or director for reaching a specific goal during his term of office and the system of holding an audit when he leaves his post. We should coordinate responsibilities, powers, and interests, and truly firm them up for the enterprise operators.

3. Reform the distribution system within the enterprises. Through perfecting and developing the internal economic responsibility systems within the enterprises, we should reward the hard-working and penalize the lazy, reward high-quality work and penalize low quality, break down the big pot of rice, and fully mobilize the workers' socialist enthusiasm.

We should further promote lateral economic ties, make the organizational setup of the enterprises more rational, and speed up the formation of enterprise consortia and groups.

Governor Wang Chaowen expressed the hope that the leaders at all levels will seriously grasp the question of invigorating the enterprises and achieve practical results in the above-mentioned tasks.

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## GUIZHOU'S WANG CHAOWEN STRESSES AGRICULTURE, GRAIN

HK080327 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 7 May 87

[Text] In his government work report delivered at the fifth session of the Sixth Provincial People's Congress, Governor Wang Chaowen stressed that agriculture is the foundation of the national economy, and that the performance in agriculture is of extreme importance for the overall situation of political stability and economic development.

He said: Grain is the most fundamental issue in agriculture. We must strengthen leadership and adopt still more effective measures to promote grain production.

He said: Last year, in view of poor production conditions and unstable grain production, the Provincial Government undertook studies and adopted measures to step up support for agriculture in manpower, material, finances, and science and technology. Local financial expenditure on supporting agriculture rose by nearly 30 percent compared with 1985.

Wang Chaowen pointed out that there is serious drought in Guizhou this year and various plant diseases and insect pests have also appeared. We must firmly establish the idea of fighting natural disasters to reap a bumper harvest. He stressed: Proceeding from cherishing the farmland and making rational use of it, all areas must stabilize the grain area. All places suitable for grain must persevere in growing grain. It is also necessary to actively help the peasants in popularizing fine-strain seed and good technological methods so as to greatly increase yields.

He pointed out in particular that it is essential to make good the policy of linking chemical fertilizer, diesel, and prepurchase deposits to the grain purchase contracts.

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## HEBEI URGES FORMATION OF ECONOMIC COMBINES

HK090611 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 8 May 87

[Article by Hubei Provincial Party Committee's Policy Research Office:  
"Vigorously Encourage the Formation of a Variety of Economic Combines"]

[Text] Since the introduction of the contract responsibility system with payment linked to output, based on the household, a variety of new-style economic combines has appeared in the rural areas. These combines have broken through area and sectoral barriers and are fully democratic, mass, and flexible in nature. The majority have at their core people who understand technology and operations, or else backbone enterprises, and they have great vitality. We should vigorously advocate the formation of such combines.

The process of developing cooperative economy in recent years has shown that, in developing commodity economy, the peasants are enthusiastic to engage in independent household operations and develop individual economy, and also aspire to get in association and promote common development. In some places it is reported that the peasants are scared when they hear the word "cooperative." Actually, what they are scared of is the leftist method of the past and of going back to the old road of having everyone eat from one big pot.

As commodity economy develops, the peasants demand that the scale of operations be expanded, so that production gradually becomes specialized and socialized and can yield still greater economic results. Hence, new economic combines which concentrate the vital elements of production and practice a variety of joint operations and cooperation and bound to develop like spring asparagus after rain. In this situation, the leaders at all levels in the rural areas must first provide positive support and guidance in accordance with the relevant party policies. We should encourage such combines, whether these are small economic combines organized between peasant households or large combines voluntarily organized between agriculture, industry, and commerce, or between urban and rural areas. With regard to small economic combines organized between peasant households, we should provide appropriate favored treatment in taxes and credits, within the limits permitted by the policies, to all those that meet the stipulations.

We should also support and promote the healthy development of joint stock economy, because this can absorb capital from an extensive area and guide the movement of capital toward good economic results.

We must provide services to help the economic combines to solve various problems encountered in the course of development. We must provide services before, during, and after production, and help the combines to improve their production conditions, to set up the necessary rules and regulations, to do a good job in internal management, and to improve the economic results of cooperation.

We must step up ideological education and guide the members of the economic combines to correctly handle the relationship between the interests of the state, the collective, and the individual. We should teach them to be leaders in getting rich through hard work and also to be models in observing discipline and law and in socialist spiritual civilization.

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PROVINCIAL

ECONOMIC

HUBEI PEOPLE'S CONGRESS RESOLUTION ON WORK REPORT

HK071543 Wuhan Hebei Provincial Service in Mandarin 0900 GMT 6 May 87

[ "Resolution of the Fifth Session of the Sixth Hubei Provincial People's Congress on the Report on the Work of the Government--Adopted by the Fifth Session on 5 May 1987" ]

[Excerpts] After examining the government work report delivered by Provincial Governor Guo Zhenqian, the fifth session of the Sixth Provincial People's Congress has decided to approve the work report and has also expressed satisfaction with the Provincial Government's work of the past year.

As the fifth session sees it, to ensure in a fundamental way the consolidation and development of our political situation of stability and unity and the promotion of successful advancement of our reform and construction, we must conduct in-depth propaganda education in upholding the four cardinal principles and resolutely opposing bourgeois liberalization and strengthen the building of our socialist spiritual civilization and the building of our socialist democracy and legal system. We must continue to conduct thorough criticism of the viewpoints of bourgeois liberalization and teach the people, especially the vast numbers of youths, to uphold the four cardinal principles and to conscientiously resist the ideological trend of bourgeois liberalization. We must adopt effective measures to improve and strengthen ideological and political work, strive to enhance the ideological consciousness and moral standards of the vast numbers of cadres and broad masses of the people, and establish new socialist practices.

The fifth session calls on people of all nationalities throughout the province to continue waging arduous struggles with one heart and one mind and to make new contributions to further consolidating and developing the whole province's stability and unity, to maintaining steady development of our national economy over a long period of time, and to bringing about successful promotion of the construction cause of socialist modernization.

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## HUNAN GOVERNOR REVIEWS ACHIEVEMENTS OF 1986

HK080139 Changsha Hunan Provincial Service in Mandarin 1000 GMT 7 May 87

[Excerpts] In his government work report to the fifth session of the Sixth Hunan Provincial People's Congress, Governor Xiong Qingquan pointed out that Hunan's economy developed steadily in 1986. The province reaped a bumper harvest in agriculture, while industry registered steady growth. Construction of key projects was stepped up and the pace of technological transformation speeded up.

Xiong Qingquan said: The year was the first year of carrying out the Seventh 5-Year Plan. Total industrial and agricultural output value was 49.4 billion yuan, calculated according to constant 1980 prices. This was a rise of 10.4 percent over 1985. Gross domestic product was 38.7 billion yuan, a rise of 9.4 percent. National income was 33.7 billion yuan, a rise of 8.3 percent. We maintained and developed the good momentum of the Sixth 5-Year Plan.

Xiong Qingquan said: During 1986 the rural areas seriously implemented Central Document No. 1, carried out in depth the second stage of reforms, continued to perfect the contract responsibility system with payment linked to output, reformed the purchase system for agricultural products, readjusted the product mix, actively popularized the new fruits of science and technology, and stepped up the provision of services, thereby invigorating the rural economy. Total agricultural output value, including the village-run enterprises, was 20.1 billion yuan, a rise of 9.2 percent over 1985. Grain output was 26.31 million tons, a rise of 4.7 percent. Production of cotton, tobacco, jute, bluish dogbane, and tea declined, but output of other industrial crops registered relatively big increases. Animal husbandry and agriculture continued to develop. The total income of the township and town enterprises was 13.5 billion yuan, a rise of 33.1 percent compared with 1985.

On last year's industrial production, Xiong Qingquan said: The province adopted a series of measures, centered on invigorating the enterprises, thus improving the enterprises' external conditions and operational mechanism and stimulating the development of production and the improvement of economic results. Total industrial output value was 29.3 billion yuan, an increase of 11.2 percent over 1985.

On key construction projects and technological transformation Xiong Qingquan said that last year the province halted, postponed, or carried out readjustments regarding 87 projects. The scale of capital construction covered by the plan was basically kept under control. We did better at ensuring the key construction projects in energy, communications, and raw materials. The year's investment plan for 20 key construction projects was 102.7 percent fulfilled. The first stage of the 550,000 volt power transmission line from the Gezhou Dam to Changde and Zhuzhou has been completed and put into operation.

Last year the province focused its technological transformation work on backbone enterprises, products earning foreign exchange from export, and energy conservation projects. Attention was paid to improving the results of investment. The province has completed 1,590 out of 2,696 improvement and transformation projects launched.

Xiong Qingquan pointed out that the province's domestic and foreign trade developed quite rapidly in 1986. The province achieved a balanced budget and financial conditions were very good. Total retail sales reached 20.4 billion yuan, an increase of 15.4 percent over 1985. The rise in the retail price index over the year was kept below 4.8 percent, lower than the 11.1 percent recorded in 1985.

The province's financial revenue rose by 11 percent compared with 1985, while expenditures, including special central allocations, rose by 20.2 percent. The fiscal departments worked hard to improve macroeconomic controls and strengthen services. They developed various organs and set up a capital market, thus collecting a large amount of capital, which played a major role in the steady development of the economy. The province's bank deposits at yearend totalled 15.7 billion yuan, an increase of 3.6 billion yuan compared with the end of 1985. Total loans amounted to 24.2 billion yuan, an increase of 5.8 billion yuan. The insurance business developed rapidly, providing certain guarantees for social production and people's daily life.

During the year the province instituted 464 spark plan projects. The technology market developed rapidly. Nearly 2,000 fruits of science and technology were transferred during the year. The work of introducing universal nine year compulsory education is gradually getting underway. Education for adults and infants developed, as did special types of education.

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## HUNAN PEOPLE'S CONGRESS HEARS REPORTS ON BUDGET, LEGISLATION

HK070149 Changsha Hunan Provincial Service in Mandarin 0000 GMT 7 May 87

[Excerpts] The fifth session of the Sixth Hunan Provincial People's Congress held its second full gathering on 6 May. (Qu Baoyuan), director of the Provincial Finance Department, reported on the final accounts for 1986 and the draft budget for 1987. Vice Governor Yang Huiquan reported on the draft of regulations for mining operations of township and town collective and individual enterprises. Vice Governor Chen Bangzhu reported on the draft provincial regulations on land management.

(Qu Baoyuan) said: The province overfulfilled its financial revenue budget for 1986 and the target set by the central authorities, and revenue rose synchronously with industrial output value. There was also a relatively big increase in expenditures. The requirements of production, construction, and the development of various undertakings were basically met.

This shows that the province's performance in fulfilling the budget was good. However, we must also see the existing problems and difficulties, which are expressed in concentrated form in two aspects: 1) The quality of the enterprises is not improving rapidly, and their economic results are still not good enough. There has been a big increase in production costs and in losses. 2) Financial expenditures have grown too fast. The expenditure base figure is already very high.

(Qu Baoyuan) stressed: The province must vigorously launch the drive to increase production and practice economy and increase revenue and economize expenditure. He also proposed a number of tasks to be carried out to ensure the fulfillment of the year's revenue and expenditure plan and to ensure a balanced budget.

In his report, Vice Governor Yang Huiquan said: Hunan is rich in mineral resources, and mining has shown great development. However, due to lack of unified management and guidance in mining, many problems have appeared in the mining operations carried out by township and town collective and individual enterprises. The regulations on this topic are essential for rationally using and exploiting the mineral resources, preventing and reducing problems, and ensuring the more healthy development of mining operations by township and town collective and individual enterprises.

In his report, Vice Governor Chen Bangzhu said: Due to lack of clear guiding ideas, poor management and so on for many years, the area of farmland in Hunan is continually declining. Hence, it has become an urgent task to formulate the regulations now being presented and to bring land management into the framework of law.

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## HUNAN CONGRESS REPORTS ON RURAL ECONOMY, PRICES, EDUCATION

HK100615 Changsha Hunan Provincial Service in Mandarin 0000 GMT 10 May 87

[Excerpts] The fifth session of the Sixth Provincial People's Congress held a full meeting on 9 May to hear reports on the rural economy, prices, and education.

(Zhuo Kangning), chairman of the Provincial Rural Economy Commission, delivered a report on questions in rural economic work. He said: The situation in rural Hunan has developed consistently well since the 3d Plenary Session of the 11th CPC Central Committee. New progress was made last year. The main problems currently facing agricultural policies are: 1) There is great threat from natural disasters. 2) There are great shortages of agricultural production materials. 3) It is very difficult for the peasants to increase their incomes. The Provincial Party Committee and Government are now taking steps to deal with these problems.

(Zhuo Kangning) focused on the question of ensuring steady increase in grain production. He reported on three main measures adopted: 1) Lower the base figure for grain contract purchases and implement the various favored treatment policies. 2) Stabilize the grain area and continue to build marketable grain bases. 3) Rely on science and technology and strive to improve yields.

(Zhang Kailian), director of the Provincial Prices Bureau, reported on the current price situation. He said: Although prices rose somewhat in 1986, the rise was lower than the increase in the masses' incomes. The masses' living standard has improved in varying degrees. Some people have not increased income much, or even not at all. Their living standards have not improved much in real terms. The government at all levels and the departments in charge are very concerned over these questions and have adopted a number of measures.

He said: This year we must strictly keep the general price increase rate below that of last year. In principle, no new price adjustment measures will be proposed. Prices must absolutely not be raised unnecessarily. All sectors and trades must be resolved to work hard to cut input consumption and production costs and improve economic results, instead of focusing on price increases. We should effectively control the price levels and also continue

to bring into play the function of prices in stimulating production and circulation. We should continue to promote price reforms.

[Zhu Shangtong], vice chairman of the Provincial Education Commission, reported on the situation in education. He summed up the achievements scored last year and the existing problems, and went on to outline the main tasks in developing education in the province in the next few years. He also proposed a number of problems to be resolved: 1) Develop a variety of channels to increase the sources of education expenditure. 2) Take effective steps to step up the building of the teaching contingent. 3) Further correct the guiding ideas on running schools.

Luo Qiuyue, vice chairman of the Provincial People's Congress Standing Committee, presided. Also present were responsible persons of the party, government, and Army in the province including Mao Zhiyong, Xiong Qingquan, Liu Zheng, Liu Fusheng, Jiao Linyi, Cheng Xinling, and Jiang Jinliu.

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## HUNAN COMMENTARY URGES 'COMPRESSING ATMOSPHERE'

HK080817 Changsha Hunan Provincial Service in Mandarin 1000 GMT 7 May 87

[Station commentary: "Poor Areas Should Also Compress Atmosphere"]

[Excerpts] Following the demand made by the CPC Central Committee and the State Council on compressing atmosphere and changing [gai bian] the excessive rate of increase in fixed capital investment and the excessive rate of increase in consumption, our province has scored achievements in launching the "double increase and double economy" campaign. However, some areas have not yet successfully reduced their capital construction investments, especially nonproductive construction investments and nonproductive spending. In particular, comrades in some poor areas think that compressing atmosphere is a task set for well-to-do areas only and that poor areas cannot gain much profit from compressing atmosphere.

Although some poor areas with backward economy are short of funds, they have been seeking large-scale projects and things foreign [yang] and have also been striving to outdo others in construction. For this reason, they have either mobilized all units to ask the units' competent authorities for help or demanded money from local enterprises in the form of collective investment. Consequently, these practices have expended large sums of money, made enterprises bear more loads, taken over for use vast stretches of grain fields, and caused the fell rate to exceed the forest growth rate.

The inflated atmosphere in poor areas also has something to do with some comrades' practice of equating the city-and-town construction with the building of spiritual civilization. At present, some areas' committees for building spiritual civilization regard the city-and-town construction, projects, and management as their major tasks. In the promotion of activities of establishing civilized cities and towns, these committees use city-and-town construction achievement as the criterion in choosing cities and towns as civilized cities and towns.

The fundamental task of building spiritual civilization means strengthening the training of people with lofty ideals, moral integrity, good educational standards, and a high sense of discipline. Equating the city-and-town construction with the building of spiritual civilization means reversing the relationship between the primary and the secondary [zhu ci guan xi].

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CSO: 4006/698

## SHAANXI RADIO URGES RURAL PRODUCTION-ECONOMY DRIVE

'Peasants Depend on Reform'

HK050155 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 4 May 87

[Station Commentary: "The Rural Areas too Must Launch the Double Increase and Double Economy Drive"]

[Excerpt] Since the State Council called on the whole country to launch a drive to increase production and practice economy and increase revenue and cut expenditures, certain comrades engaged in rural economic work have held that this drive is the affair of urban economic departments and of the enterprise party and government organs and workers and cadres, and has little to do with the rural areas and the peasants. This is an incorrect view.

The drive to increase production and practice economy and increase revenue and cut expenditures is an important means for ensuring the healthy and steady development of the national economy. It is also an effective way to boost the reserve strength for agricultural development and speed up the efforts to extricate the rural areas from poverty and make them rich. Some 800 million of the country's 1 billion population are peasants. There are more than 40 poor counties in Shaanxi. Great effort is needed to extricate those areas from poverty and make them rich.

However, some places and units in Shaanxi, including the rural areas, go in for lavishness, extravagance, and waste to an astonishing degree. For instance, some remote areas engage in civil engineering in a big way by constructing luxury hotels, centers, halls, and temples. Places that are obviously far from affluent, organize lavish celebrations, ribbon-cutting ceremonies, and parties; moreover, they compete with each other in lavishness and ostentation, not hesitating to spend large sums of state and collective money.

Some villages and enterprises who have only been extricated from poverty a few days, or who have just achieved some economic results, rush out to buy high-class automobiles and expensive office equipment. In many places there is indiscriminate use of farmland, waste of production materials and capital, and so on.

Unless these problems of lavishness, extravagance, and waste are resolved, extricating people from poverty and making them rich and achieving the modernization of agriculture will come to naught.

Many old customs have still not been completely eradicated in rural Shaanxi. In addition, such things have been practiced on an even greater scale in recent years. The ceremony for the month-old baby, and old folk's birthday, with the addition now in some places of celebrations for joining the party or the Army, going to college, or being promoted to cadre status--all these things require organizing banquets and presenting gifts, and the standard of the gifts rising all the time. In addition many peasants spend their money on building houses and on weddings and funerals; they are thus unable to increase investment in production. If this state of affairs continues, even those peasants who have already become rich will be unable to keep going and may revert to poverty.

The peasants depend on reform. Extricating people from poverty and making them rich depends still more on deepening the reforms. However, the waste and extravagance in rural economic work and in social life has already caused difficulties for deepening the reforms and promoting economic development. Unless the rural areas launch a sound drive to increase production and practice economy and increase revenue and cut expenditures, the second stage of reforms can hardly develop in a healthy way.

Launching the double increase and double economy drive in the rural areas means using the limited finances, material, and manpower on boosting the reserve strength for agricultural development and on extricating poor areas from poverty and making them rich. All prefectures, cities, and counties must do everything possible to steadily increase the total output of grain, cotton, and major raw materials for industry.

#### Firm Targets Urged

HK090557 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 8 May 87

[Station Commentary] Properly firm up the targets for the double increase and double economy drive in the province this year has been good. A current major problem is that goals for the drive have not yet been firmed up in some areas and enterprises.

The Provincial Party Committee and Government have proposed that the main aims of the drive this year are as follows: In increasing production, the focus is on increasing output of 30 product with a ready market and raw materials in short supply, including color kinescopes, color television sets, refrigerators, fine-quality wines, dyed cloths, gold, steel, chemical fertilizer, and civil aircraft. In practicing economy, the focus is on improving product quality, reducing material input, and reducing the amount of capital tied up in finished goods, speeding up the pace of technological improvement and progress, and working hard to reduce deficits and increase surpluses. The main targets are: over 20 percent of products should be of superior quality; steady decline should be recorded in the input consumption of 75 percent of raw materials, fuels, and motive power, and electric power consumption should drop by 3 to 5 percent; the turnaround rate of over 5 percent of capital should be speeded up; and losses in state-owned industrial and communications enterprises should be cut by 30 percent.

The areas and enterprises should firm up targets for the double increase and double economy drive for each enterprise, work shift, and individual in accordance with the main targets set by the Provincial Party Committee and Government.

## SHANDONG'S LI CHANGAN GOVERNMENT WORK REPORT

SK250615 Jinan DAZHONG RIBAO in Chinese 30 Apr 87 pp 1-3

[Government work report by Li Changan, governor of Shandong Province, at the Fifth Session of the Sixth Shandong Provincial People's Congress on 21 April]

[Text] Fellow deputies:

On behalf of the provincial People's Government, I would like to deliver a government work report and present it for examination and consideration.

1. Our Province Achieved Overall Development in the National Economy and Social Cause in 1986 and Has Taken the First Solid Step in Fulfilling the Seventh 5-Year Plan.

The year 1986 was the 1st year in fulfilling the Seventh 5-Year Plan. During the year, in line with the general arrangements made by the CPC Central Committee and the State Council and the general demand set forth by the province's Seventh 5-Year Plan, the people throughout the province continuously achieved flourishing development in various undertakings and scored new achievements in building the socialist material and spiritual civilizations by earnestly implementing the party's line, principles, and policies under the leadership of the Shandong Provincial CPC Committee and by upholding the four cardinal principles and the principle of conducting reforms, enforcing the open policy, and enlivening the economy, thus, creating an increasingly good situation in both politics and the economy.

The province further consolidated and developed the political situation of stability and unity. The work of implementing the policies and dealing with the problems remaining from the past was basically concluded. The patriotic united front further achieved expansion. The construction of democracy and legal systems was enhanced. The province also scored marked achievements in dealing strict blows to economic crimes and criminals, consolidating public security in a comprehensive way, and in conducting education on ideals and discipline and achieved an obvious turn for the better in social morale, peace, and order. Thus, new socialist morality and morale are gradually taking shape and the people are living and working in peace and contentment, forging ahead, and fully confident in building socialism reflecting Chinese characteristics.

The national economy scored a consistent and stable increase and the pace of building both the urban and rural areas was accelerated. Markets were flourishing and the people's material and cultural lives achieved new improvement. In 1986 the province's total product of society was 121.7 billion yuan, an 11.3-percent increase over the 1985 figure. Of this total product, the total industrial and agricultural output value was 99.79 billion yuan, an 11.4-percent increase over the 1985 figure. The national income was 49.5 billion yuan, a 7.6 percent increase over the 1985 figure. The total retail sale was 32.03 billion yuan, a 14.1-percent increase over the 1985 figure. The rising scope of the general retail price index was controlled at 4.2 percent which was 7.1-percent lower than that of 1985. The per capita income of urban residents for living expenses was 807.4 yuan, a 15-percent increase over the 1985 figure and a 9.5-percent increase by excluding the price hike factor. The per peasant net income was 449.3 yuan, a 10.1 percent increase over the 1985 figure and an 8.1-percent increase by excluding the price hike factor. Savings deposits of both the urban and rural people reached 17.56 billion yuan, a 43.9-percent increase over the 1985 figure. The 1986 plan for economic and social development, which was apporved by the fourth session of the Sixth Provincial People's Congress, has been successfully fulfilled through the effort made by the people throughout the province. This has made a good start for fulfilling the Seventh 5-Year Plan in an overall way.

1. The economy in both the urban and rural areas achieved a good trend of healthy development. In 1986 the province scored a stable increase in industrial production and achieved new improvement in product quality. The province's total industrial output value was 72.05 billion yuan, a 16.4-percent increase over the 1985 figure. The production of daily consumer goods, energy resources, and raw materials scored a greater increase. The increase in production of silk cloth, textiles, the first light industry, medicine, electronics, and the second light industry reached 11.5 to 20.5 percent; that of the petrochemical industry, metallurgical industry, and building materials reached 9.8 to 14.7 percent; that of crude oil reached 9.2 percent; that of raw coal reached 3.6 percent; that of communications and transportation, and transported freight volume reached 18.9 percent; and that of postal and telecommunications business reached 9.6 percent. The province increased its investments in various fields of agricultural production, overcame the serious drought which has been unprecedented in several decades, and achieved overall development in the production of grain, forestry, animal husbandry, and fisheries. The province's total agricultural output value was 27.74 billion yuan, a 0.3 percent increase over the 1985 figure. The grain output was 32.5 million tons, a 3.6-percent increase over the 1985 figure, topping the previous peak. The afforestation acreage reached 2.2353 million mu, a 32-percent increase over the 1985 figure. The meat output reached 1.418 million tons, a 10.2-percent increase over the 1985 figure. The total town enterprise output value was 32.58 billion yuan, a 30.8-percent increase over the 1985 figure, surpassing the total agricultural output value for the first time. The proportion among agriculture, light industry, and heavy industry further became reasonable. The proportion of the tertiary industry in the national economy increased from 18.3 percent in 1985 to 19.7 percent in 1986. The increase of major industrial and farm products and the development of the tertiary industry have relieved the contradiction between demand and supply and enriched both the urban and rural markets.

2. Relatively big progress was made in the economy of the eastern and western areas. Last year further improvement was made in the economic and technological levels of Jiaodong Peninsula and other relatively developed localities. After Qingdao City topped 10 billion yuan in its total industrial output value, Yantai City topped 10 billion yuan in this regard. Rongcheng, Wendeng, Muping, Laiyang, Yexian, Jimo, Pingdu and Zbucheng counties and cities respectively topped 100 million yuan in their total value of commodities purchased for export. The number of townships and towns, whose output value of township and town enterprises exceeded 100 million yuan each, rose from 7 to 20. By exploiting its superiority in agricultural, forest, and livestock resources, the northwest area of the province witnessed new vitality in its economic development and became an important base area for grain, cotton, forest and livestock production. Last year this area transferred out 540 million kg of grain and 601,000 tons of cotton. In the islands, Yimeng Shan, Dongping Lake, the four lakes in southern province, and other outlying and poverty-stricken areas, the pace of development and construction was noticeably accelerated; such basic production and livelihood conditions as drinking water supply to the people and animals, traffic service, postal and telecommunications facilities, and electricity supply were greatly improved; and the masses' income somewhat increased. The work of aiding the poor was developed from key areas to all places, and another group of poverty-stricken peasants extricated themselves from poverty. The poverty-stricken households, whose per-capita new income was less than 200 yuan, in proportion to the total number of peasant households dropped from 8.1 percent in 1985 to 5.8 percent in 1986.

3. New achievements were scored in construction of key projects and technological transformation. Last year the [amount indistinct] large and medium-sized projects were built at a rapid pace and with good quality, with the annual investment target being fulfilled by 98 percent, of which, the annual investment target for the 11 key state construction projects which were organized in line with a reasonable schedule was fulfilled by 115 percent. The newly added production capacity throughout the province included 6 million tons of crude oil, 3.39 million tons of raw coal, and 351,000 kw of electricity. The annual investment plan for project of diverting the Huang He water to Qingdao was fulfilled, the first phase of the Qilu 300,000-ton theylene project was basically completed, and the sundry wharf of the Shiji Harbor was made available for users. Last year the state-owned units in the province invested .64 billion yuan in projects involving renewal of equipment and other technical transformation measures, a 24.5-percent increase over the previous year. Of these projects, 1,971 were completed and put into production last year. Meanwhile, the state-owned units in the province signed 200 technological import items and organized forces to master and apply color television and adhesive-bonded fabric production equipment and the 102 imported technologies. Results were yielded from the 138 export products renovation projects. The efficiency of key construction projects and technological transformation projects will become increasingly better in the long-term development of the economy in the future.

4. New headway was made in reform and the open policy. The economic structural reform continued to develop penetratingly. Focusing on strengthening the vitality of enterprises, the province tried out the factory director (manager) responsibility system among 2,299 enterprises, and the system of factory director

(manager) assuming responsibility within his term of office among 1,063 enterprises. At the same time, most enterprises consolidated and perfected the economic responsibility system, instituted the labor contracted system, and thus accelerated the pace of "ownership change, transfer, and leasing" among the state-owned small commercial enterprises. Putting emphasis on invigorating the rural economy the province continued to consolidate the household output-related contracted system, improved the contracted purchase system or agricultural sideline products, and established a large number of service organizations facilitating the production and management of peasants. Focusing on exploiting the regulatory role of market mechanism, the province further reduced the scope of mandatory planning; readjusted and decontrolled the prices of many products; tried out the market for the means of production; initiated various kinds of money markets such as short-term interbank loans, discounts for bills or exchange, the issuance of bonds, and the regulation of foreign exchange; and developed the technological market. At the same time, province tried out the reform of the house renting system in Yantai, the organizational reform in Weifang, and the comprehensive reform in Jinan, Weifang Longkou, Changyi and Lingxian cities and counties, thus gaining some beneficial experiences for the reform as a whole. The work to open ourselves to other countries and other areas of China was developed continuously in both quality and range. Last year, our province again established friendly ties with the state of South Australia of Australia and the state of Connecticut of the United States, and our Weifang, Dongying and Yantai Cities also established friendly ties with Hyuga City of Japan, Midland City of the United States, and Tauranga City of New Zealand, respectively. Our province and our cities have established friendly ties with 20 states, prefectures, provinces, and cities of other countries; our ports have established ties with 2 ports of other countries; and our schools have established ties with 33 schools of other countries. With the approval of the state, the Lanshantou Port was opened to the outside, making the number of our opened ports six. Last year, the total volume of exports reached \$2.14 billion. If petroleum is excluded, the total volume was \$1.63 billion, 22 percent over the previous year. Foreign exchange earned through tourism showed an increase of 120 percent over the previous year. The insurance business involving foreign countries, the construction projects we undertook [with] foreign countries on a contract basis, and the cooperative labor service we provided to other countries also developed to a certain extent. The actual amount of foreign capital our province used totaled \$117 million, up 84.2 percent from the previous year. The number of the enterprises invested in by foreign firms, to which licenses had been issued after approval, reached 78, of which 30 have gone into operation (opened business). The economic and technological development zones in Qingdao and Yantai Cities began to take shape, and 10 industrial porjects among the 21 projects on which official agreements had been reached were already commissioned. An unprecedentedly vigorous situation appeared in lateral economic cooperation. Throughout the province, 1,950 enterprise associations were established, contracts on 5,717 cooperative projects were signed, the total volume of cooperative materials was 2.74 billion yuan, 570 million yuan of funds was brought in, and 20,000 trained personnel were exchanged. The thoroughgoing development in reform and opening to the outside world brought vitality to the urban and rural economy, and to various trades and professions.

5. Social undertakings in various fields were further strengthened. Attention was continuously paid to and new progress was achieved in science and technology,

education, culture, sports, public health, press, publication, radio and television, social welfare, and other undertakings. Last year, the province achieved 1,337 significant scientific and technological results, showing an 11.8-percent increase over the previous year. Of these results, 196 reached world standards or filled in the gaps in the country, and 90 percent were popularized and applied in varying degrees. Arrangements were made for 336 projects under the "spark plan," and most of their annual targets were overfulfilled. In the rural areas, 97 percent of the towns and townships established science popularization organizations. Primary school education was made universal in 113 counties (cities, districts), the school buildings of 70 percent of the rural primary and middle schools were improved in 6 areas, the proportion of students in secondary vocational and technical schools and the total students in schools at the senior middle school level rose from 35.4 percent in the previous year to 38.4 percent, the number of students in regular institutions of higher learning increased from 83,600 to 92,400, and the various forms of preschool and adult education also developed fairly greatly. Mass cultural activities became increasingly vigorous, the readjustment and streamlining of professional art performing troupes proceeded smoothly, and a group of fine literary and art works won the prize of society. Sports activities were carried out vigorously in urban and rural areas, more and more people took part in sports activities for physical training, a group of sports facilities were built and commissioned, and sports techniques improved continuously. Fifty-two gold medals were won at important domestic and international competitions. The patriotic public health campaign and the prevention and treatment of endemic diseases were developed in quality and range, and more than 5,000 sickbeds were added to the hospitals throughout the province. The development of various social undertakings enriched the people's spiritual and cultural lives and effectively facilitated the building of the material civilization.

Our province scored many achievements in financial work, as in other fields of work, and made unremitting efforts to support reform, develop the economy and, other social undertakings and improve the people's living standards. Last year, our financial work was rather difficult with its many problems. First, the 1985 revenues increased by a fairly large margin, and the base amount was fairly high, but some temporary factors for increasing revenues no longer existed last year. Second, following the formulation of the financial budget, the province began to enforce tax-reduction measures by readjusting commodity prices and collecting additional education fees in the urban areas in line with the state policies on temporarily carrying out price reduction and tax exemption and giving subsidies to the small fertilizer plants, increasing the rate of depreciation among a number of state-run enterprises, readjusting or reducing the regulating tax of large and middle-sized enterprises, and on improving the revised wages systems of enterprises. Third, the province conducted reforms in the wages systems of organs, enterprises, and units and phased in the subsidy system among retired personnel. Such a factor of reducing incomes and increasing expenses caused a 900-million yuan increase in the financial implementation. Under such circumstances, governments at all levels adopted every possible way and means to open financial sources and to accumulate revenues, enterprises actively tapped their potentials and assimilated introduced technology to increase production, and the financial and tax departments did a great deal of work in opening revenue sources and accumulating revenues. Thus, the province's

financial revenues reached 6.215 billion yuan, a 3.9-percent increase over the 1985 figure calculated in terms of comparable items. In financial expenditures, the province effectively ensured indispensable expenses for some undertakings and the funds for major and strategic projects in agriculture, science and technology, and education. A basic balance between financial revenues and spending was maintained by excluding the factor of reducing incomes and increasing expenses. Despite of the current deficit of 268 million yuan, the aforementioned measures will play a long-term role in enlivening the economy, reinforcing the reserve strength, and opening financial sources. Only by attaching importance to these measures and doing a good job in implementing these measures will be certainly able to change the unbalance between financial revenues and spending.

Fellow deputies: The province's excellent situation in both politics and the economy and the tremendous achievements scored in building the two civilizations represent the outcome scored by the people throughout the province who, under the correct leadership of the CPC Central Committee and the State Council and their cordial concern, have been self-reliant and waged arduous struggle. The broad masses of workers, peasants, cadres, intellectuals, and public security cadres and policemen; various democratic parties; the mass organizations; and patriotic personages have made positive contributions in their own posts. The compatriots from Hong Kong and Macao, Overseas Chinese, and foreign friends have continuously and enthusiastically supported the province's program of building the four modernizations. The PLA units stationed in Shandong Province and the broad masses of commanders and fighters of the armed police forces have forcefully supported the local program of building the two civilizations by carrying forward the glorious tradition of supporting the government and cherishing the people. The people's congresses at all levels and their standing committees have greatly supported the government work and carried out effective supervision. Under the guidance of the party's line, principles, and policies, the people's governments at all levels have brought about some new changes from ideology and concepts to work methods and style by exerting efforts to meet the new needs of conducting reforms, enforcing the open policy, and developing the commodity economy, and by conducting their work in a down-to-earth manner.

First, efforts should be made to further enhance the concept concerning the whole situation and to further act in unison in work. In 1986, in line with the fighting targets of how to fulfill the Seventh 5-Year Plan and how to make the people wealthy and the province prosperous, we created a gratifying situation of seeking truth from facts, acting according to our capabilities, doing our work as best we can, and doing our work in a coordinative manner, by repeatedly unifying our thinking from top to bottom in a series of problems related to the whole situation with regard to grain production, town enterprises, foreign trade, commodity circulation between the urban and rural areas, the construction of key projects, and the speed, benefits, and reserve strength of industrial production. The province's rate of industrial production increase reached 26.8 percent in the first half of 1985, and that in December that year was 1.5 percent. Practice has shown that an excessively high rate of increase will certainly cause an overall strained situation in economic life, and an

excessively low rate will certainly cause economic withering and bring about a series of problems. On the basis of such a worry and proceeding from increasing financial revenues, expanding exports, and making arrangements for the markets, we put forward positive and feasible fighting targets for industrial production in 1986 and adopted several measures to consolidate and develop the results scored in the drive to conduct reforms and to bring into play the enthusiasm of localities, enterprises, and staff members and workers. Cities, prefectures, departments, and enterprises adopted every possible way and means to grasp product quality and production management, to increase the variety of new products, and to conduct technical renovations in order to enable industrial production to develop onto a healthy track according to the demand of a "soft landing" [6516 4192 7120].

Second, the idea of creating the new was strengthened and the ability for policymaking enhanced. Last year, despite difficulties and problems in our economic work, we connected the party's line, principles, and policies closely with the actual conditions of Shandong, braved our way forward, and facilitated the development of various undertakings. To deepen reform, the province, based on the principle of "consolidation, assimilation, supplementation and improvement," formulated a "17-article" regulation on invigorating enterprises, as well as more than 100 policies on enlivening circulation, foreign trade, township enterprise development, and on introducing investment from abroad and establishing lateral ties at home. In line with their own conditions, all localities also put forward their specific opinions on their implementation. This played an important role in invigorating the urban and rural economy and promoting the development of productive forces. To guarantee the construction of the 66 large and medium-sized projects during the Seventh 5-Year Plan period, we adopted the method of ensuring some energy, raw materials, and other key projects in the first 3 years, postponing others to the latter 2 years, and delegating still other minor projects to towns and townships. We worked out feasible fund-raising policies, assigned responsibilities to cities and prefectures, and granted them powers and profits. In this way, construction plans were mapped out and fund sources were guaranteed fairly rapidly. To help develop the economy of the counties which enjoyed financial subsidies, we allocated financial subsidies to 24 counties (district) 1 to 3 years ahead of schedule from our flexible funds to support their undertaking several hundred production projects. The reason why these methods were effective was that they came from the grassroots and from practice. The province organized fairly large-scale urban and rural surveys, which provided important data for scientific policymaking.

Third, the idea of service was further strengthened and workstyles improved notably. Thanks to the efforts to straighten out the workstyles of government organs, governments at all levels had more initiative in helping the grassroots and the masses eliminate misgivings and difficulties, doing less squabbling and buck-passing, and becoming more active in coordination. Instead of staying in offices, more leaders went to the grassroots units to exercise face-to-face leadership and help solve problems. The responsible persons of the province as well as the cities, prefectures, and counties often went down to the grassroots to familiarize themselves with the situation and solve problems. The organs at and above the county levels throughout the province sent 21,000 cadres to the grassroots to help with the work. To ease the strained supplies of energy

resources, materials, and funds, relevant departments strove to improve their work and strengthened management to increase the supplies. Compared with the previous year, the province's electricity output rose by 14.5 percent, the amount of loans used by industrial and commercial enterprises as working funds grew by 30.4 percent, and the volume of material sales by 34.3 percent last year. The amount of foreign exchange used by provincial level units in importing the raw materials in short supply increased by 100 percent.

Fourth, the idea of seeking truth from facts was further strengthened and the work method of giving different guidance according to different situations was widely applied. Adhering to the ideological line of seeking truth from facts, last year we made ceaseless efforts to overcome vague work methods, and continued to give different guidance based on the province's strategies for developing economic construction and on the characteristics of different localities and trades. Following up the work completed in the previous 2 years, we worked out plans for the development of islands and clarified new fighting goals; further implementing the principles, policies, and measures for developing the Yimeng mountainous area, and consolidated and developed the economic ties of Jinan, Qingdao, Yantai, Weifang and Zibo with the seven counterpart counties in the Yimeng mountainous area; and decided on the guiding principles and work demands for the aid-the-poor work of the province, and established aid-the-poor responsibility systems in departments. We conducted special study on the development of Dongping Lake, and put forward a new road of comprehensive development with the emphasis on fishery while ensuring its functions of controlling, diverting, and storing the flood waters of Huang He. We investigated and summed up the development and utilization of the resources of the four lakes in southern Shandong and studied new tasks and methods. We also conducted a great amount of investigations and study of the economic development of the beaches of the Bohai Bay and the Huang He delta. In addition, we gave guidance to the key areas of circulation, banking, foreign trade, culture, sports and other work and achieved certain results. Practice proved that giving different guidance according to different situations is a good method to avoid disorder and carry out work in a more scientific way.

Fifth, the sense of observing rules and regulations was further intensified and the consciousness in handling affairs according to laws was enhanced gradually. Governments at all levels earnestly accepted the supervision from the people's congresses and their standing committees at the same levels, paid attention to improving their work in line with the opinions of people's deputies and CPPCC members, and laid stress on using the legal means to regulate and manage economic development and social life. Last year the provincial government promulgated five local regulations after submitting them to the provincial People's Congress Standing Committee for approval and formulated 44 legal documents and rules within the framework of their functions, thus changing the situation of having no regulations to follow in some spheres. In line with the decision of the NPC Standing Committee on popularizing legal knowledge in 5 years, all localities conducted the legal education with stress on studying the "Constitution" among all cadres, all urban residents and part of peasants, and 40 percent of targets of the legal popularization attended study courses. The strengthening of the legislation work and the launching of the legal education played a positive role in improving the socialist legal system and developing the socialist democracy.

Fellow deputies! The achievements and changes made by various fields last year were actually very heartening. However, some difficulties and problems still existed which prevented us from making progress, and some shortcomings and weak links still exist in our work. Some localities still pay no attention to agriculture, and, in particular, grain production; their measures for increasing production were not effective enough; their agricultural production departments' capacity to resist natural calamities was not strong enough; and their momentum for development was weak. Some industrial enterprises still had such problems as poor quality of products, high material consumption, and poor economic efficiency. There were still barriers in circulation channels; the application of funds was not flexible, and the blind construction of extra-budgetary capital construction projects still existed at varying degrees. A few organs still had such problems as overstaffing, poor efficiency, and bureaucratism. Some departments failed to check such malpractices as seeking ostentation and extravagance, parading their wealth, and indulging in waste. These problems indicate the lack of understanding of the development law of the commodity economy and the lack of ripe experiences in uniting micro-flexibility with macro-control under the situation of replaying the old with the new systems. So long as we are conscientious in study, brave in practice, and closely rely on the broad masses of people, we will certainly be able to tackle problems, overcome difficulties, and continually push forward the building of the two civilizations.

## 2. Our Province Should Uphold the Principle of Developing the Economy in a Protracted and Stable Manner, and Comprehensively Fulfill the 1987 Economic Construction Tasks.

In light of the guidelines of the Fifth Session of the Sixth NPC, the general demand for this year's government work is to accurately and comprehensively implement the partyline, principles and policies, to uphold the four cardinal principles, and to persist in the principles of reform, opening up and economic invigoration. This year the provincial government should focus its energy on doing the following two events well: In the economic sphere, it should persist in the principle of developing the economy in a protracted and stable manner, should extensively conduct the campaign of increasing production and practicing economy and increasing revenues and cutting expenditures, and should deepen the structural reform and open still wider to the outside world in order to ensure the sustained, stable, and coordinated development of the national economy. In the political and ideological spheres, it should penetratingly conduct propaganda and education on upholding the four cardinal principles, should resolutely oppose bourgeois liberalism, should strengthen the building of the socialist spiritual civilization, and should further consolidate and develop political stability and unity. These two events supplement and promote each other. Economic construction is the focus of all items of work, and political stability and unity is an important guarantee for economic construction. We must attend to our work with stress on these two events, and strive to fulfill all tasks for this year.

Upholding the principle of developing the economy in a protracted and stable manner is of great and far-reaching significance to the realization of the magnificent goal of the four modernizations. In implementing this principle,

we must correctly handle the relationship between the immediate and the long-term interests by uniting the growth rate, efficiency, and momentum; must correctly handle the relationship between accumulation and consumption by actually basing consumption increases on production development; and must correctly handle the relationship between demand and the possible supply by improving the general supply and appropriately curtailing the general demand, in order to achieve a basic balance among finance, credit, foreign exchange, and materials. Proceeding from this demand, this year the province's total industrial and agricultural output value is planned at 10.64 billion yuan, a 6.6-percent increase over the previous year, and realizing the task of doubling the 1980 figure. Of this, increase in agriculture is planned at 3 percent; industry, 8 percent; national income, 6 percent, the gross national product, 6.5 percent; financial revenues, 12.1 percent; the volume of retail sales, 10.7 percent; and foreign trade and export (not including petroleum), 4.9 percent. At the same time, a corresponding development will be made in various social undertakings, and the people's living standards will be improved further. Such planning is positive, with certain leeway being granted. So long as we attend to our work, it will be completely possible for us to achieve this plan.

We should further strengthen agriculture and promote the all-round development of agriculture, forestry, animal husbandry, sideline occupations, and fishery. Agriculture constitutes an important strategic issue for developing the national economy. With success in agriculture, we will be able to gain the initiative in the situation as a whole. The greater industry develops, foreign and domestic trades expand, and the people's living standards are improved, the higher the demands on agriculture are and the more we should stress and strengthen agriculture. This year we will spend still more energies on agriculture, adopt still more effective measures to grasp agriculture, continue to implement the principle of "never neglecting grain production and actively developing diversified occupations," and raise efficiency and momentum centering on yielding a stable and high output in agriculture. We should increase input in agriculture in the fields of the state, localities and peasants; should increase not only the "hard" input in the fields of funds and materials but also the "soft" input in the fields of science, technology, management and operation; and should pay attention to expanding the labor accumulation, stepping up the construction of irrigation and water conservancy projects, engaging in developmental production, and building well the 117 production bases for grain, cotton, oil, timber, animal husbandry and fishery in order to further rationalize the internal agricultural structure.

In strengthening agriculture, priority should be given to grasping grain, cotton and oil production. Grain production should never be neglected at any time because it bears on thousands upon thousands of households and the entire national economy. Because cotton and peanuts are superior products of our province which have an important bearing on the national economy and people's livelihood, attention should also be paid to them in order to rapidly change the downward trend in output of cotton and peanuts. The gross grain output is planned at 31.75 million tons, and great efforts should be made to fulfill this target. The total cotton output is planned at 1.1 million tons, a real increase of 157,600 tons over the previous year. The total peanut output is planned at 2.6 million tons, 552,600 tons more than the previous year's figure. In terms

of grain, cotton and oil production, we should actually demand good work in line with the plan, strive to raise the per-unit yield, focus on endeavor to resist various kinds of natural calamities by not only combating drought but also preventing waterlogging, adopt more measures for increasing production, and implement the awarding system in order to ensure a good harvest in summer and the whole year. At the same time, we should actively engage in grain transformation and the deep processing and comprehensive utilization of cotton, oil-bearing seeds and other sideline products, and should arouse peasants' enthusiasm in production by increasing their income through developing the processing industry. Land constitutes the basic condition for agricultural production. We should give wide publicity to and conscientiously implement the "land management law." In accordance with the state stipulations, we should levy the land occupation tax from towns, industrial and mining zones, township and town enterprises, and peasants for their occupation of cultivated land. We should continue to review the cultivated land which is unreasonably occupied in order to use land in a planned and economize manner.

In strengthening agriculture, we should also vigorously develop forestry, animal husbandry and fishery, with stress on animal husbandry. Our province's animal husbandry is a weak link in the agricultural economy as a whole, and its proportion in the total agricultural output value is only 15.7 percent. Worse still, the breeding of grass-eating animals and poultry has developed slowly. We should adopt positive measures to stabilize hog production and increase the number of grass-eating animals and poultry, and should actually attend to livestock product processing in order to effect a great development in animal husbandry in 2 to 3 years. To attain this demand, we must regard animal husbandry as an important party to invigorate the rural economy, set up the "mass animal husbandry" sense, remove the barriers between different trades, and popularize Zhucheng County's experience in combining trade with industry and agriculture and Zaozhuang City's experience in establishing close contact between plants and peasants to develop animal husbandry. People's governments at all levels should continually attend to the organization, coordination and service to animal husbandry. Textile, light industrial, commercial, and foreign trade departments should establish livestock product production and processing bases in the countryside in a planned manner. Agricultural, scientific and technological, educational, grain, mechanical, and public health departments should voluntarily provide effective services for livestock production in the fields of technology, talents, feed supply, equipment, and endemic prevention insurance. Livestock products should be circulated through various channels under a unified guidance. Commercial departments should conduct comprehensive management of cattle, sheep, poultry and eggs, with stress on hogs.

We should adopt positive measures to further develop town enterprises to a new standard. Town enterprises are important pillars of the rural economy and also are the strategic issue of making the province's economy flourishing. In 1987 we should continuously implement the fixed principles of development and the encouragement policy; have townships (towns), villages, households, and economic associations develop town enterprises simultaneously; and have the industries and trades of industry, commerce, transportation, construction, and service make concerted efforts to support the development of these enterprises. We should also maintain the good trend of development of these enterprises,

which has taken shape over the past 2 years, and should strive to take a greater step in the development. In developing town enterprises, efforts should be made to further emancipate minds and, in line with the market demands, to bring into full play the superiority of local material sources and various favorable conditions to open more avenues of production. While continuously developing these enterprises, areas whose foundation is better should stress the tasks of upgrading the grade and standard of their products and doing a good job in improving the enterprises. Those whose foundation is weaker should encourage peasants to increase their accumulations and to willingly take concerted action in developing some industrial sideline production items in line with their local conditions. Governments at all levels should direct town enterprises to improve their management and operation, to upgrade their technical standards, to carry out reasonable distribution, and to use more funds on expanding reproduction and enhancing their capability of self-improvement and self-development. Meanwhile, a good job should be done in dealing with the relationship between developing town enterprises and conducting agricultural production, and paying attention to peasants' interests, and in having industry make up for the shortage of agriculture to enable the broad masses of peasants to show much concern and support [for] the town enterprises. Various departments should enhance their guidance over their own industries and trades and actively help the town enterprises formulate their developing plans and successfully make arrangements for construction.

We should vigorously increase economic results and maintain a stable increase in industrial and communications production. Taking the work of increasing economic results as a focus represents the important guiding ideology of our economic work. However, without a proper rate of increase we will not turn out good economic results. The province's conditions in various fields are better. It is not only necessary but also possible for the province to maintain a stable increase in industrial production. In 1987, the rate of industrial production increase is 8 percent. However, we should strive to score a 10-percent increase by working hard. The rate of increase in local freight volume transported is 2.5 percent, and we should also strive to surpass the figure. In line with the demands of both domestic and international markets, the industrial departments should continuously readjust their structure of production and product, increase the products enjoying brisk sales, curtail the production of unsalable and overstocked products, upgrade their product quality and lower their material consumption, and turn out more products needed by the society by curtailing their cost as much as possible. To enable the enterprises to increase their economic results, the provincial People's Government has decided to take income from sales, the profit and tax rates of output value, and the turnover rate of funds as an important yardstick in measuring the achievements scored by the enterprises in the future. Meanwhile, a good job should be done in emphatically grasping the two crucial tasks of enterprise management and technical renovations.

Enhancing enterprise management is an effective way to increase economic results. All enterprises should have their internal work in mind and tap their potential. By taking the work of upgrading product quality and lowering material consumption as a central task, they should start with the basic managerial work in promoting the improvement of enterprise management. Efforts should be made to

continuously carry out various emulation drives among the enterprises turning out the same product and among the units under the enterprises, to continuously popularize the method of applying the modern management, to carry out the activities of offering reasonable suggestions, and to mobilize the staff members and workers to actively suggest ways and means aimed at coping with the weak links in management to promote the enterprises to make progress in modernizing themselves.

Accelerating the pace of technical renovations among the existing enterprises and particularly among the out-dated enterprises and fixing the principle of "readjusting structure, conducting reforms, and delegating power" mean to readjust the orientation of investments; to emphatically spend the investment on renewing equipment, developing new products, and creating something new in production technology among major large and middle-sized enterprises, the enterprises turning out export products and import substitutes, light and textile industrial enterprises, machine-building and electronic industrial enterprises, and the industrial enterprises run by the commercial firms. In conducting reforms in the managerial system of technical renovations, efforts should be made, under the unified plan, to have cities and prefectures share the items, funds, and materials for technical renovations; to delegate more rights of approval to cities and prefectures; and to establish responsibility systems of technical renovations. We should also decontrol policies, encourage the enterprises to successfully introduce outside technology and to assimilate and make something new in imported technology, allow the enterprises to open more avenues for raising funds, and return the depreciation funds originally held by the provincial, city, and prefectural authorities to the enterprises so as to use them in technical renovations and development.

Controlling and preventing the "three wastes" pollution is an issue which must be stressed in developing industry. We should give wide publicity to and conscientiously implement the "law on environmental protection," and should resolutely prevent new pollution sources from emergence in the course of actively controlling the old pollution sources. From now on, when building a new industrial project, the "three wastes" controlling facilities should be designed, built, and put into operation together with the construction of the main body of the project. Old enterprises should formulate plans for controlling the "three wastes" pollution, and should accelerate the implementation of these plans together with technological transformation projects. We should advocate and encourage the comprehensive utilization of the waste water, and gas dregs in order to raise the social benefit and constantly improve the production and living conditions of the people.

We should strictly control the scale of investment in fixed assets, and should ensure the construction of the state key projects. We should determine the scale of investment in fixed assets on the basis of keeping abreast of the financial and material resources and having rational structure and good efficiency. This is the key to ensuring sound development of the national economy. At present, our province's task of building the state key projects is very arduous, and many units have initiated some extra-budgetary projects, thus aggravating the tension on financial and material resources. If we refuse to adopt resolute measures to strictly control the extra-budgetary construction projects, the

accumulation rate will be too high, unstable factors will be brought to the economic life, and the construction of the state key projects, the momentum of the provincial economic development, and the overall situation of the four modernizations will be affected. To counter this, we should definitely further narrow the scale of capital construction, readjust investment structure, and ensure the construction of key projects in line with the State Council's instructions concerning the "three ensures and three reduces." First, we should ensure the construction of the budgetary projects, and reduce the construction of the extra-budgetary projects. All extra-budgetary projects should first be suspended to accept an investigation; and a small number of such projects which are actually needed should be brought into line with the fiscal plan after being examined and approved by departments concerned. For the extra-budgetary projects, the "five should nots" principle should be implemented: Banks and financial departments should not grant loans and allocations to such projects; designing departments should not make designs for them; construction departments should not undertake construction for them; supplies departments should not supply raw materials for them; and land management departments should not requisition land for them. Second, we should ensure the productive projects and reduce the nonproductive projects. Actual guarantees should be given to all productive projects covered by the budget, and all localities should be encouraged to develop small thermal power stations in order to alleviate the tension on energy supply. By nonproductive projects we mainly mean office buildings, auditoriums and hotels. All such projects whose construction has not yet started should not be allowed to start; and those projects whose construction has already started should be subject to examination and clearing-up. Third, we should ensure the construction of key projects, and reduce the construction of ordinary projects. This year in our province there are 11 key projects undertaken by the state in line with a reasonable schedule, and 29 key projects undertaken by the province. All these projects should be built in line with the planned pace.

In ensuring the construction of key projects, all localities and departments should foster the idea of "coordinating all the activities of the nation like moves on a chessboard." They should correctly handle the relationship between the partial and immediate interests and the long-term interests, and voluntarily submit themselves to the macro-control of the state and the unified arrangement of the province. For the key projects, the "five ensures" measures should be implemented continually: Ensuring the construction funds; ensuring the removal and moving of houses on the requisitioned land; ensuring the supply of water, electricity and raw materials; ensuring traffic and transportation services; and ensuring the prospecting, designing and construction forces. Meanwhile, we should pay attention to the quality of construction, strive to make the quality rate of construction reach 100 percent, and make great efforts to build still more quality projects. To ensure the funds needed to guarantee the construction of key projects, we should comprehensively accomplish the tasks of issuing the state key projects bonds and the key enterprise bonds. The methods adopted by the province last year to raise funds for power industrial construction will be implemented continually, and the provincial key project construction bonds will be issued.

We should actively improve the market supply and maintain a basic stability in prices. The market is a comprehensive reflection of the economic life. Further

improving the market supply is needed to attain a benign cycle in the social reproduction, as well as an important thing to consolidate and develop political stability and unity. To make the market brisk, the most fundamental thing is to develop production, and vigorously increase the supply of industrial and agricultural sideline products which are readily marketable. Under such a prerequisite, we should strengthen the market forecasting, enliven management, extensively organize sources of goods, expand the sales of commodities, and try every possible means to meet the demands of the people in various fields.

First, a good job should be done in grasping the purchase and supply of major farm and sideline products such as grains, cotton, edible oil, meat, eggs, and vegetables; and in striving to provide full supply during the off seasons, to supply commodities more than before in both variety and volume, and to improve product quality better than before. Second, a good job should be done in grasping the supply of daily industrial commodities; having the province's demand in mind; gearing the supply to the country as a whole; opening more avenues of commodity sources; vigorously relieving the contradiction between supply and demand in durable consumer goods; and in further enriching the supply of staple daily commodities, minor commodities, particularly commodities for festive occasions, and commodities for children and old folks. Third, efforts should be made to actively organize industrial commodities for the demand of the rural areas and to deliver the means of agricultural production and daily consumer goods directly to the peasants through the means of establishing joint-venture business and sale centers, setting up agents for commodity purchase and sale, holding exhibit sales in the rural areas, and making a circuit of goods delivery. Departments in the field of commodity circulation should further straighten out their orientation of service, improve their business style, do a good job in storing up commodities during the busy seasons and selling them during the off seasons, readjust the imbalance between surplus and shortage, improve the storage structure, and accelerate the turnover of commodities.

Market prices are generally the issue that concerns the people. We should adopt a correct attitude toward commodity prices. We cannot help but conduct reforms in the long-standing irrational price system and price management system because they have seriously restricted the development of production. In straightening out the price system, changes between high and low prices are normal. We should strive to bring under control the rising scope of the general price standard in order to enable the people's livelihood to be continuously improved on the basis of production development. In 1987 our price work is to implement the principle of "resolutely conducting reforms, making stable progress, and maintaining basic stability." We should keep the prices of the means of production and of industrial consumer goods unchanged and only adequately readjust the prices of a number of products which are extremely irrational and have seriously affected production. While conducting decontrol and enlivening the price system, we should enhance our guidance over the prices of farm and sideline products, such as grains, cotton, peanuts, and others; do a good job in coordinating measures in price control among different departments; and should strictly avoid vying with each other in buying commodities by raising prices. To stabilize prices, efforts should be made to continuously and successfully carry out regular inspection over the prices of major consumer goods and the means of production and to strictly deal with those who have raised prices arbitrarily, collected fees arbitrarily, and violated the price policy and discipline.

We should realistically enhance the undertakings of science and technology and education and accelerate the pace of making technical progress and carrying out intellectual development. Economic and social development cannot be divorced from technological and intellectual support and should depend on more results scored by the scientific, technological, and educational fronts and on more talented personnel trained by these fronts. In conducting scientific and technological work, efforts should be made to continuously and earnestly implement the principle of gearing the work to economic construction, to concentrate more forces on the major target of economic construction, and to do a good job in making concerted efforts to overcome the difficulties in scientific research and popularizing or applying the scientific and technological results. In 1987, we should conduct scientific research and overcome the technical difficulties in line with the 14 major projects of carrying out comprehensive development among the mountainous areas, the agricultural areas along the bank of the Huanghai Sea, and on the Huanghe delta; realizing the production increase of farm and sideline products and processing or utilizing these products in a comprehensive way; and developing new raw materials, new products, new energy resources, energy saving technology, newly developed technology, and soft science. Meanwhile, we should concentrate our efforts on popularizing a number of new technologies which cost less investment, have a short action cycle, and can yield high benefit; and should make arrangements for some items concerning the "spark plan." A good job should be done in further organizing the pilot work of comprehensive development among the poor mountainous areas and encouraging the scientific and technological personnel to go to mountainous areas, the rural areas, islands, the coastal areas, and the areas around the lakes to carry out scientific consultations, to render technical services, and to offer technical assistance to the poor. In conducting educational work, we should uphold the orientation of rendering service to economic and social development, implement the state education principle in an overall way; further do a good job in grasping elementary, vocational, higher, and adult education; and vigorously upgrade the quality of students in various fields. In enforcing the 9-year compulsory education, we should make a new step in line with the plan. The structure of secondary education should be continuously readjusted and the proportion of students various secondary vocational and technical schools should reach 42 percent of the total student number of the senior middle school period. In higher education, we should uphold the principle of achieving stable development, improve the conditions for operating schools, upgrade educational quality, readjust in a planned manner the proportion of specialized courses and regular courses, adequately increase some specialized courses in short supply and urgently needed by economic construction, and increase the local student enrollment rate of general higher educational institutions to 9.4 percent. In developing educational undertakings, first we should adequately increase the fund for operating schools. In 1987 under the greater curtailment of local spending budget, we [word indistinct] certain increase in educational expenses. Second, efforts should be made to accelerate the building of teachers' rank, to adopt various measures to conduct on-job training among the 35,000 teachers, to expand the student enrollment quota of teachers' colleges and schools, and to have other colleges and schools which have proper conditions open teacher training classes.

We should continue the method of giving different guidance according to different situations, and promote a balanced economic development of the province.

Based on the development strategies defined in the Seventh 5-Year Plan of our province, this year we will continue to give different guidance to different localities, develop the superiorities of every economic area, and make a new step in rationalizing the economic structure. Jinan, Qingdao, Yantai, Weifang and Zibo Cities are the economically developed areas of our province, which occupy an important position in our province. In order to give further play to the superiorities of these five cities, and make them lead the economic development of our province, the provincial government plans give guidance to them based on the principle of "equality and mutual benefit, voluntary cooperation, relative independence, and simultaneous development," so that they can strengthen the economic cooperation with other countries; gradually establish new types of enterprise organizations that suit the needs of large-scale modern and socialized production; develop a group of good-quality and brand-name products, and high-grade, precision and advanced products; find a larger market for their products at home; and enable more of their products to enter the world market. Through unremitting efforts, we should strive to turn them into economically developed areas of the country. Qingdao and Yantai Cities, in particular, should make the best use of their advantages in opening themselves further to the outside world, and take the lead in the country in renovating traditional industries, developing new industries, accelerating technical transformation, introducing more investment from abroad and establishing more lateral sites at home, and establishing an export-oriented economy. The five cities and prefectures in the northwest Shandong, whose population and area both account for approximately 30 percent of the total of the province, have fairly abundant animal, plant, water, and oil gas resources. Since the 3rd Plenary Session of the 11th Party Central Committee, they have laid a fairly good foundation for industrial and agricultural production, but their superiorities have yet to be fully developed, and they still have a great potential. The provincial party committee and government held an on-the-spot meeting in early March, at which the principles, policies and supporting measures for the economic development of the northwest Shandong were defined, and economic ties of Jinan, Qingdao, Yantai, Weifang and Zibo with their counterparts of Dezhou, Heze, Liaocheng, Dongying and Huimin, respectively, were established. Remote and poverty-stricken areas, such as islands, Yi Shan, Meng Shan, the four lakes in southern Shandong, and the Dongping Lake, should conscientiously sum up their experiences in their success won over the past few years, and implement various policy measures in a comprehensive manner so as to change their outlook more rapidly, and gradually take the track of planned and scientific development. In the latter half of this year, the provincial government, after conducting investigations and study, will hold on-the-spot meetings on the islands, and in the Yimeng mountainous areas, the four-lake area in the southern part of the province, and the areas surrounding the Bohai Bay, and will carry out a thorough study of the development of the Huang He delta.

Fellow deputies, to extensively carry out the campaign to increase production, practice economy, increase revenues and reduce expenditures is one of the central tasks for this year, and also an important guarantee for a long-term and stable development of the national economy. We should note that although we have laid a fairly substantial material and technical foundation for our economy, our economic results are still not ideal enough because of our poor economic management,

and therefore our potential for increasing production and practicing economy is still very great. Over the past few years, the idea of plain living and arduous struggle of some comrades, leading cadres in particular, has become blunted. Therefore, the campaign not only has an important economic significance but also has a far-reaching political significance because it is conducive to promoting the socialist spiritual civilization, and maintaining closer ties between cadres and the masses. The provincial party committee and government have made a decision calling for efforts to carry out the campaign in all areas throughout the province in a thoroughgoing and persistent manner. To increase production and revenues, and to practice economy and reduce expenditures are an organic entity, whose core is to improve the economic results of society in an all-around manner. Production, circulation, capital construction and other fronts should adopt an active attitude, and rely on reform, science, and management to increase production and revenues. Offices and institutions should exercise careful calculation and strict budgeting, carry out more work with less money, and make the better use of various expenses. Revenues are an overall reflection of the fruits of the campaign. While increasing production and improving economic results, we should pay close attention to revenues, reduce expenditures, administrative funds in particular, and strive to achieve a financial balance. On this premise, we should resolutely make a success of all the work that we should and can carry out successfully after efforts.

The campaign is not an expedient measure, but a long-term task that should be carried out in the entire process of modernization. To arouse the enthusiasm of various quarters for the campaign, at present we should stress the work in the following three aspects: First, we should further mobilize the cadres and the people ideologically by explaining the current situation and tasks to them, laying bare the problems, finding out where we lag behind, and making comparisons so that they will take the initiative in plunging into the campaign. Second, we should establish the responsibility system at every level by assigning every unit, every post and every person with the tasks, goals and measures for the campaign. Third, we should study and formulate policies to encourage increases in production and revenues, frugality, and reduction of expenditures, and link the fruits of the campaign with the interests of every unit and worker. Governments at all levels should strengthen leadership over the campaign, pay close attention to policies and actual results, draw a strict demarcation line between necessary expenses in normal economic exchanges, and waste and extravagance, and conscientiously avoid formalism and flourishes. Cadres at all levels should strictly abide by financial and economic discipline, take the initiative in correcting the unhealthy tendency of lavish spending, lead the masses in increasing production, practicing economy, opposing waste, and eliminating loopholes, promote a sound development of the campaign, and gradually establish in the entire society a good practice of "plain living, arduous struggle, building up the country through thrift and hard work, making more contributions, and strictly abiding by discipline."

### 3. Our Province Should Reform, Open to the Outside World, and Enliven the Domestic Economy Persistently, and Increase the Momentum and Strength for Economic Development.

Upholding the four cardinal principles and upholding the policy of reform, opening up and economic invigoration are the two basic points of the party's

line adopted since the 3d Plenary Session of the 11th Party Central Committee. The purpose of our present struggle to oppose bourgeois liberalism is to continue to uphold the four cardinal principles successfully, and create a more favorable political and social environment for reform and development. The policy of enlivening the domestic economy and opening to the outside world will not change, nor will the current urban and rural policies, and the policies on respecting knowledge and talented people, and giving full play to the role of intellectuals. Not only the central principles and policies but also the policies formulated by the province that have proven effective will not change. They can only be supplemented and improved continuously in the course of practice. In line with these principles, and the actual conditions of our province, this year we should continue to unswervingly push forward our reform and opening to the outside world.

- 1) We should deepen the reforms in various fields, and instill new vitality to economic development. In this year's reform, we should put great emphasis on deepening the reforms in several areas, mainly the reform of enterprises to improve their internal mechanism, the reform of the rural economy to consolidate and improve policies, the reform of the scientific and technological structure to facilitate the combination of science and technology with production, and the strengthening of market mechanisms to gradually improve the market systems.

In deepening enterprise reform, we should focus on invigorating large and medium-sized enterprises, and comprehensively implement the State Council's "several regulations on deepening enterprise reform and invigorating enterprises," with the emphasis on reforming the internal mechanism of enterprises. Our province now has 336 local state-owned large and medium-sized industrial enterprises, whose output value amounts to 63 percent of that of our province's budgetary industrial enterprises, and their profits and taxes 73 percent. Whether or not these enterprises have vigor plays a decisive role in the province's economic development. This year, while continuing to invigorate state-owned small enterprises, and collective enterprises, we should concentrate our efforts on enhancing the vigor of large and medium-sized enterprises. First, we should reform the enterprise leadership system. Following up our previous experiment, we should popularize the director (manager) responsibility system in all the state-owned industrial, capital construction, and communications enterprises subordinate to the county or higher-level units in a resolute, planned and step-by-step manner, and try out this system according to the three "regulations" in commercial and collective enterprises so that enterprise directors (managers) can truly occupy a central position in enterprises, and play a central role. In the meantime, we should popularize the system under which directors (managers) are responsible for fulfilling fixed targets during their term of office, and gradually implement the system of conducting end-of-term auditing on the work of directors (managers). Enterprise directors (managers) should strive to improve their quality, take the initiative in subjecting themselves to the supervision of party committees and workers congresses, give play to the role of trade unions, bring into better balance the relations among these three, and coordinate with them to promote production and management. Second, efforts should be made to conduct reforms in the business mechanism of enterprises. In line with the principle of separating ownership from the operation right, we should further enliven the operation right. All state-run large and middle-sized enterprises should enforce business responsibility systems group by group

and step by step. We should give full decisionmaking right to the managers of enterprises in line with the principle of "signing contracts in which basic accounting has been fixed, profits handed over to the state have been ensured, more retentions from the surplus incomes will be allowed, and deficits will be made up by enterprises themselves." Third, efforts should be made to conduct reform in the internal systems of enterprises. On the premise of not surpassing the wages bill set forth by the state, we should totally delegate the right of distributing wages and bonus to the enterprises and have them formulate their distribution measures independently. Enterprises may partly integrate the wages system with the bonus system and also may enforce on a trial basis the contract system of wages bill and the system of piece-rate wages. Enterprises that have enforced the system of integrating the trial contract wages bill with profits and taxes handed over to the state may continue their enforcement. Protecting the legal interest and right of enterprises is the necessary condition of deepening the drive to conduct reforms in enterprises. In 1987, we should carry out overall inspection over the implementation of the relevant regulations and rules set forth by the CPC Central Committee, the State Council, the provincial party committee, and the provincial People's Government with regard to invigorating and protecting the enterprises; and should do a good job in implementing the regulations and rules one by one. We should resolutely return to the enterprises the right which has been held at any level and by any department. We should totally examine the administrative companies which have not directly engaged in production and service, have not conducted independent accounting, and have not been responsible for their profits and losses, but have been responsible for managing the function of enterprises. Great attention should be paid to reinforcing the capability of enterprises in reusing their investment, resolutely preventing from apportioning expenses to enterprises arbitrarily, and totally removing all irrational burdens forcibly imposed on the enterprises by violating the provisions of the State Council and the provincial People's Government. In line with the relevant directive of the State Council and bearing in mind the province's actual situation, the provincial People's Government has formulated the seven provisions on deepening the drive to conduct reforms in enterprises and enlivening the enterprises. Governments at all levels should earnestly implement these provisions.

We should follow the demand of reinforcement, consolidation, coordination, and improvement in deepening the drive to conduct reforms in the rural areas; gradually establish the dual management system of integrating separated management with unified management; and continuously improve the double-track system of conducting the fixed-quota contract purchase of farm products and regulating markets simultaneously. In establishing the dual management system, we should realistically enhance the management over the contract system and bring into play the managerial capability of households to promote the diversification of production. On this basis, we should encourage peasants to develop various economic associations in specialized fields and to gradually set up unified economic structures and managerial systems among agriculture, industry and commerce at all levels. Enforcing the fixed-quota contract purchase system among farm products is the need of the state in making arrangements for economic construction and the people's livelihood. Selling their farm products in line with the contract purchase system is the obligation performed by the peasants

to the state. To bring into play the enthusiasm of peasants in production and sale, the state has adequately increased the purchase price of some grains covered by the contract system. It has increased the cotton purchase price in the reverse ratio from 4 to 6 to 3 to 7. Added prices have also been adopted in purchasing peanuts and cotton seed oil in line with the contract system. In purchasing flue-cured tobacco, the government has adopted different prices for different quality of products and increased its average purchase price in this regard. It has also adequately increased the guidance purchase price of hogs. In procuring grains covered by the contract system, the government will continuously enforce the award policy by selling fine-quality fertilizer and diesel to peasants and enforce the award policy by selling fertilizer in buying cotton and peanuts covered by the contract system. All award materials should be sold at parity prices and all incomes earned in the sales should be carefully counted with the contracted households in honoring their contracts and should by no means be diverted to other usage. In conducting reforms in the rural areas, an important task is to give a free hand to the rural areas to develop new style of transportation, sales, and operation; to encourage peasants to actively join in commodity circulation; and to accelerate the pace of conducting reforms in the supply and marketing cooperatives which should vigorously establish agents for purchase and sales and carry out service in a coordinated manner. In 1987 they should generally set up the service system for the commodity production of rural areas and particularly for that of town enterprises. Through expanding their field of service, they should strengthen their own vigor, attract more peasants to invest their money in them, and build themselves truly into cooperative commercial organizations owned by the people.

We should deepen the scientific and technological structural reform, and give prominence to delegating powers to and allowing flexibility in scientific research units and among scientific and technological personnel. In line with the principle of separating government functions from the functions of scientific research units, we should gradually transfer those scientific research organs subordinate to the government departments to enterprise groups and central cities, and change direct management to indirect control. All scientific research organs which have conditions should actively cooperate with production units. Those scientific research organs specialized in product development should be gradually incorporated in enterprises or enterprise groups. Those scientific research organs specialized in technological development should orient themselves to economic construction by establishing professional technological development centers or directly cooperating with engineering units. Those scientific research units engaging in social public welfare undertakings should also open themselves to the public and render services to the society. Within a scientific research organ, the director responsibility system should be introduced actively. Those technological development organs with a small staff, few fixed assets, poor management and poor economic efficiency can be leased or contracted to others for management. Those multi-purpose technological development research organs can divide themselves into many independent accounting units according to different specialities, and then subject these units to classified management. We should give full play to the role of scientific and technological personnel, and encourage and support part of scientific and technological personnel to go to various towns and villages to contract, rent and undertake township and town enterprises and the state- or collective-owned small and medium-sized enterprises, and to initiate various kinds of

technological development, technological service and technological trade organizations through the ways of allowing them to leave their jobs temporarily or resigning from their jobs, and keeping them on the company roll with their salaries suspended. At the same time, such scientific and technological personnel should be allowed to gain legitimate income in the course of creating wealth for the society.

We should gradually perfect the market system, further enliven commodity market, should expand and develop money market, technological market and the market for the means of production, and should continually step up the market mechanism's role in regulating the economy. In enlivening commodity market, we should continue to advocate the concerted efforts of the state-owned units, collectives and individuals, should further relax policy restrictions to invigorate the state-owned commercial departments, should develop more collectively owned and private shops, and should support peasants to do business and run the tertiary industry in cities. By so doing we can gradually form a new market pattern in which large, medium-sized and small markets develop in coordination, comprehensive and specialized markets develop simultaneously, and production and circulation are in perfect harmony. In expanding money market, we should first develop the short-term interbank loans, expand the long-term money market in a planned and well-guided manner, and issue bonds for financial departments and enterprises on a commission basis. We should reform the management system of credit cooperatives, expand the fund using power of the rural credit cooperatives, establish the civil credit cooperatives in the countryside in a step-by-step manner, run the rural cooperative foundation on a trial basis, actively develop the urban credit cooperatives, attend to postal savings, and conduct savings competitions. We should also gradually amplify the bond market, the bill market and the discount market; expand the foreign exchange regulatory market, and let money circulate through various forms in various directions in order to yield greater results in utilization of funds. In developing technological market, we should focus on strengthening and improving the technological markets in 14 prefectures and cities, create condition for establishing a number of county (city and district) technological markets, conduct in a planned manner small-scale and convenient technological exchange and transaction activities for different trades and in different localities, and gradually form a technological market network throughout the province. In establishing the market of means of production, we should make explorations boldly. Great efforts must be made to establish rolled steel markets in Jinan, Qingdao, Weifang, Yantai and Zibo cities. Through developing the materials and goods trading centers and trade warehouses, various localities should develop the business of each making up the other's deficiency from his own surplus, and should actively enter the markets outside the province in order to expand the production and regulation spheres for the means of production. In addition, we should try to find out ways to expand the flows of laborers, and should pay special attention to helping the surplus laborers in the countryside to open new production channels. Labor departments at all levels should give overall consideration to the rational distribution of the urban and rural labor forces, and give guidance to the labor service cooperations and exchanges between the urban and the rural areas and between different localities.

Reform is a kind of complicated systems engineering. Following the deepening of the reforms in various fields, many new situations and new problems are bound to emerge. We should further emancipate our minds, be brave in creating the new, continuously sum up experiences in the course of practice, and make improvements step by step. With regard to the methods and steps, however, we should adopt a prudent attitude, put every step on a sound base, pay attention to enlivening the microeconomy while attaching importance to strengthening and improving the macroeconomic control and management, and note the necessity and urgency of reform while considering the capacities of the state, the enterprises, and the society. This year we should continue the experimental overall reform in Jinan, Qingdao and Weifang Cities, and Longkou, Changyi and Lingxian Counties, and do a good job in the experiment with the reform of the house rent system in Yantai City, the experiment with the institutional reform in Weifang, Dongying and Taian Cities, and the experiment with the reform of the banking system in Qingdao and Weifang Cities. All cities and prefectures, and all trades and professions should also try out various reforms at various levels. Provincial departments should actively support and coordinate the reforms, and facilitate them continuously.

2) We should expand lateral ties, and promote the growth of a new economic system. Lateral economic ties represent an objective requirement of developing the commodity economy and deepening the reform, and also an effective way to establish a new economic operation mechanism, improve the organizational structure of enterprises, and improve the economic results of society. This year we will further implement and improve relevant encouraging policies, and promote the more rapid development of the various forms of lateral ties on a larger scope and in more layers based on the principle of voluntary participation and mutual benefit, with the emphasis on making a new breakthrough in the cooperation among enterprises and among regions. First, we should promote the cooperation between enterprises themselves, between enterprises and scientific research units, and between local enterprises and military industrial enterprises, encourage the establishment of enterprise associations or groups with large and medium-sized key enterprises as the mainstay, and manufacturers of brand-name and high-quality products in the lead, and gradually form a group of associations of various forms, which can develop their advantage of multiple functions. Second, we should facilitate the integration of the urban and the rural economies. Within their financial and material capacity, cities should further do a good job in the construction of water supply, road, postal and telecommunications, and other infrastructural facilities and in the improvement of environments, enhance their multiple functions, make themselves more attractive and helpful to rural areas, lead well their surrounding counties, and to active work to spread the production of their products or spare parts to rural areas, transfer technologies to them, train talented personnel for them, and send talented people to them. Processing enterprises which use farm and sideline products as raw materials may also conduct joint operations with peasants in the growing areas to establish stable raw material production bases. The rural areas should make use of their advantages in resources, labor forces and space to establish ties with urban enterprises, so that they can make up for each other's deficiencies with each other's strong points, and support each other. Third, we should expand our economic exchanges and cooperation with other

provinces and municipalities and with central ministries and commissions, strengthen the ties with the various large economic zones of the country in particular, actively create favorable conditions for increasing our economic liaison organs stationed in other provinces and municipalities, and establish a multi-layer, multi-directional and open economic information network. Governments at all levels should strengthen overall guidance, do a good job in organization and coordination, eliminate the interference created by various departments and regions out of their partial interests, and guard against taking over everything to ourselves by rigid administrative means, turning enterprise groups into disguised administrative companies, and exercising monopoly of trades, so that lateral economic cooperation can develop soundly.

3) We should expand our opening to the outside world as always, correctly handle the relationship between earning foreign exchange and using foreign exchange, strive to increase our trade and nontrade foreign exchange earnings, expedite foreign capital utilization and technology import, and more extensively carry out friendly exchanges and scientific and technological and cultural interflows with foreign countries.

Expanding exports and earning more foreign exchange represent a major event concerning the entire situation of the national economy, and an important prerequisite to ensure the smooth progress of opening to the outside world. This year we should make continuous efforts to open up international markets and, focusing on earning more foreign exchange through exports, strive to make fairly great progress in the following aspects. First, we should establish an export-oriented production system more quickly, newly build a group of cotton, peanut, prawn, beef cattle, asparagus, apple, bluish dogbane, and animal byproduct export-oriented production bases, add a number of textile, garment, light industrial, machinery and electronic plants specialized in producing high- and middle-grade products for exports, and gradually effect a strategic change from exporting whatever is produced to producing and exporting whatever is needed on the world market. Second, we should actively improve the pattern of export commodities and greatly increase the exports of light industrial and textile goods, machinery and electronic products, and processed farm and sideline products so as to achieve a notable improvement in the quality, grade, and processing of export commodities. Third, we should adhere to the principle of cooperation between industrial and foreign trade departments, between agricultural and foreign trade departments, between technological and foreign trade departments, and between import and export departments, greatly promote the ties of foreign trade enterprises with production and scientific research units, encourage foreign trade enterprises to cooperate with production enterprises by investing in them or sharing their stock, and gradually establish a number of enterprise groups producing export commodities, and give play to their group advantages to increase export competitive edges. Fourth, within the scope prescribed by state policies, we should work out and perfect policies that encourage the intensive processing of export products, support the construction of export-oriented production bases, and enliven the export commodity business in line with the principle of deciding the amount of foreign exchange an enterprise can use, the amount of its bonus, the prices of the materials supplied to it, and the credit and material support granted it according to the amount of foreign exchange it has earned, so that the initiative or producers and managers can

be aroused. While trying to earn more foreign exchange through exports, we should attach great importance to developing tourism and providing cooperative labor service to other countries. In developing tourism, we should fully develop and use our province's abundant tourist resources, pay attention to the resources in both coastal and inland areas, improve and expand the existing tourist spots, and develop some new tourist areas in a planned manner. At present the emphasis should be placed on upgrading management level and service quality. We should adopt various measures and make use of various channels to attract more tourists from abroad. In undertaking foreign construction projects on a contract basis and providing cooperative labor service to foreign countries, we should adhere to the principle of "abiding by the contracted stipulations, ensuring the quality, making small profits, and maintaining a good reputation," consolidate the existing cooperative relations, open up new spheres of cooperation, create favorable conditions for establishing a group of joint ventures in other countries, and gradually build stable bases for providing labor service to other countries on a contract basis.

In using foreign capital and importing technology, we should both continuously expand their scope and pay close attention to improving their economic results. We should widen the channels for foreign capital utilization. In addition to using intergovernment loans on favorable terms, we should absorb more investment made directly by foreign firms and use foreign commercial loans in a selective way. We should cooperate with foreign firms more successfully through such means as compensatory trade and processing with the materials provided by them, manage well the enterprises invested by foreign firms that have already gone into operation or opened business, and build and renovate a group of enterprises that can earn foreign exchange through exports, that can produce import substitutes, and that are equipped with advanced technology. We should further strengthen the supervision and management of imports, resolutely reduce the imports of ordinary equipment, strictly control those of luxurious consumer goods, and conscientiously use our limited foreign exchange to import advanced technology, key equipment, and raw materials in a short supply in the country, and to enhance our ability for earning foreign exchange through exports. We should import technology and carry out independent development simultaneously, and make firm determination to organize forces and set aside a certain amount of investment to be used to master and apply imported technology so that we will be able to produce it at an early date. We should make ceaseless efforts to improve our investment climate if we are to suit the needs of opening to the outside world, and absorb more funds and advanced technology from abroad. We should continue to pay attention to the construction of infrastructural facilities and other supporting facilities in the economic and technological development zones in Qingdao and Yantai Cities and the six opened harbors. At the same time, we should comprehensively implement the State Council's "Regulations on Encouraging Investment by Foreign Firms," and the 15 preferential policies formulated by the provincial government, further draw up and improve relevant economic rules and regulations, and managerial measures, upgrade our service quality and work efficiency, and form, as soon as possible, a "micro-climate" that attracts foreign firms to invest.

Strengthening friendly contacts with various foreign countries constitutes an important part of the open policy. Over the past few years our province has

made great progress in this field, thus making still more people in the world understand Shandong, making us understand the world more profoundly, and promoting cooperation and strengthening the friendship between our province and foreign countries. From now on we should continue to promote friendly contacts with the people of various foreign countries, make friends with still more foreigners, and make full use of various friendly relationships to actively promote the economic and trade development and to do several things with practical significance in order to base friendly relationships on a still more solid foundation. This year we should concentrate our efforts on running well the economic and trade exhibition in Bavaria of the Federal Republic of Germany. At the same time, we should vigorously conduct scientific, technological, and cultural exchanges and cooperation with foreign countries, import knowledge from foreign countries on a selective basis, participate in still more international academic exchanges, and more effectively study and introduce advanced technologies and management experiences of foreign countries in order to promote the economic, scientific, and cultural development of our province.

#### 4. Our Province Should Uphold the Four Cardinal Principles and Strengthen the Building of the Socialist Spiritual Civilization.

Building the socialist spiritual civilization is an important content of the endeavor to build a socialism with salient Chinese characteristics as well as the spiritual motive power and reliable guarantee for pushing the construction of material civilization towards a sound direction. It is of still greater significance in grasping the building of spiritual civilization under the current situation of reform, opening up, and vigorously developing the commodity economy. This year we should conscientiously implement the "CPC Central Committee's Resolution on the Guiding Principle for Building the Socialist Spiritual Civilization," pay attention to raising the ideological and moral quality and the scientific and cultural expertise of the people, and give priority to consolidating and developing political stability and unity under the guidance of the four cardinal principles so that we can lay a good foundation for comprehensively realizing the province's plan for building the spiritual civilization during the Seventh 5-Year Plan period.

To strengthen the building of the socialist spiritual civilization, we must deeply conduct the struggle of opposing bourgeois liberalism is to negate the socialist system, with its main purpose being to negate the party's leadership. Obviously, if we refuse to struggle against this idea with a clear-cut stand and let it spread unchecked, there will be no political stability and unity, and our socialist modernization drive will be hampered and destroyed. We should fully understand the importance and long duration of the struggle against bourgeois liberalism, and adopt a resolute attitude and correct methods to ensure the sound development of this struggle under the leadership of the party Central Committee and the provincial party committee. The struggle against bourgeois liberalism aims at solving questions of fundamental political principles and orientation. It must be strictly limited within the party and will be mainly carried out in the political and ideological fields. It will not be carried out in the countryside and among democratic parties and nonparty intellectuals. It will not involve the policies for economic reform, rural work, scientific research, discussions of style or techniques in literature and art,

or the people's lifestyle. In opposing bourgeois liberalism, the past "left-ist" methods should never be repeated, no political movement will be launched, and positive education should be conducted. Continued efforts should be made to deeply criticize the erroneous ideas of bourgeois liberalism, and to earnestly conduct propaganda and education on upholding the four cardinal principles. Through ways of presenting the facts and reasoning things out, we should enable the vast number of cadres and the masses to understand that upholding the four cardinal principles is a common political basis for the unity and struggle of the people throughout the country, and is basic to the foundation of the state and administration of the country; only socialism can save China; and without the leadership of the Communist Party, there would be no new socialist China, nor would there be Chinese socialist modernization. We should further consolidate and strengthen the mass media front and attach more importance to upgrading the level of the Marxist theoretical contingents. We should make continuous efforts to discover and cultivate theoretical backbone cadres who uphold the four cardinal principles and are enthusiastic in carrying out reform, unite with the masses of theoretical workers, and solve theoretical and practical problems in reform and construction with the Marxist stand, viewpoints and methods. This year we will organize social science workers to write some articles which have correct viewpoints, aim at problems, and are convincing to help the people raise their political and ideological awareness, and distinguish right from wrong.

To strengthen the building of the socialist spiritual civilization, we should conscientiously grasp ideological and political work. Attaching importance to this work is our fine tradition, and also an effective guarantee for the success in other work. In the situation of reform, opening up, and economic invigoration, we must attach more importance to ideological and political work, conscientiously improve work methods, and actively explore a new road for the work. We should conduct thorough education on common ideals, and mobilize the people throughout the province to make more contributions to the prosperity of the people, developing Shandong, and rejuvenating China. We should continue education on professional ethics and urge all trades and professions, in particular "window" trades, to correct their business style and improve service. We should adopt various measures to accurately publicize to the masses, young students in particular, the achievements, difficulties, and prospects of reform, opening up, and development, so the people will understand history more clearly, evaluate the situation correctly, take the initiative in implementing the party's line, principles, and policies, and support the socialist system all the more.

To strengthen the building of the socialist spiritual civilization, we should further develop cultural, sports, public health and other undertakings. In carrying out cultural work, we should continue the orientation of serving the people and socialism and the principle of "letting a hundred flowers blossom and a hundred schools of thought contend," encourage literary and art workers to plunge into the thick of life in order to reflect the changes of our society and the outlook of our times more accurately, and to create more fine works that are of good taste and various styles, and are welcomed by the masses, and cultivate more outstanding personnel. This year we will further readjust and consolidate professional literary and art organizations, explore new ways to make local operas flourish, continue to carry out extensive mass cultural activities, and in particular, strengthen organization and leadership over rural

cultural life. We should greatly encourage professional literary and art organizations to perform in the rural areas, the poor and remote areas in particular, improve grassroots cultural organizations, develop individual cultural households, advocate healthy, civilized and progressive life and recreational styles, and oppose gambling, feudal and superstitious activities, and lavish weddings and funerals. In sports work we should carry out broader and deeper mass sports activities to socialist our sports activities more quickly, complete the building of the provincial stadium and some city and prefectural sports facilities, actively develop competitive sports, continuously improve sports techniques, strive to achieve good results to the Sixth National Games this year, and attain the goal of "Achieving good results in 4 years" set forth by the provincial party committee and government in 1984. In public health, we should place the emphasis in implementing the principle of "prevention first," launch an extensive mass patriotic public health campaign, consolidate and improve the rural epidemic prevention and medical care units, study and formulate policies to rejuvenate traditional Chinese medicine, and adopt various measures to alleviate urban and rural people's difficulties in obtaining medical care. Family planning is a basic policy of our nation. China, with a large population and now in the baby boom period, should further strengthen and substantially grasp family planning work. According to a sample survey of 40 countries (cities and districts), the natural population growth rate in 1986 reached 12.62 per thousand. The phenomenon of unplanned childbirths prominently exists in some rural areas. Under such circumstances, we should deeply and constantly conduct propaganda and education on family planning and continuously enhance the people's awareness of carrying out family planning work. We should strictly carry out policies concerning family planning, continue advocating the policy of one child per couple, make planned arrangements for permitting those who give birth to a second child according to policies, and resolutely put an end to multiple-births and unplanned births. The province should set population control targets on a responsibility basis for cities, prefectures, counties, and grassroots units, and should make sure to check the fulfillment of targets among each level. Governments at all levels should firmly attend to conducting family planning work among units that lag behind in terms of family planning work and perfect the method of rewarding the advanced and punishing the backward in conducting family planning work in an effort to control this year's natural population growth rate to within 9.5 per thousand and to make sure that the population growth and economic and social development are adapted to each other.

We should strengthen socialist spiritual civilization, further carry forward socialist democracy, and perfect socialist legality. The development of socialist democracy and legality is a long-term task. We should focus this year's democratic construction on further perfecting democratic life and on encouraging the people to make criticism and suggestions on the government work through normal channels. Governments at all levels should consciously accept the supervision made by the people's congresses and their standing committees, and should strengthen contacts with people's deputies. Responsible working personnel at all levels should often hold talks with workers, peasants, students, intellectuals, and retired cadres; gradually form a system to hold talks of this kind; sincerely handle visitors and incoming letters from the people; and consciously accept the supervision made by the vast number of the people to ceaselessly improve the work. With regard to improvement of legality, we should continue

grasping education on popularizing the general knowledge of law and economic legislation. We should extensively disseminate the NPC Standing Committee's "Decision on Strengthening Education on Legality to Safeguard Stability and Unity" and the provincial People's Congress Standing Committee's "resolution;" and should adopt such measures as posting notices, giving lectures, and concentratively studying to make each and every one get the general knowledge of law. We should vigorously carry out education on popularizing the general knowledge of law concentratively among cadres and youngsters to enhance their understanding of legality and to make them act according to law. Cadres at all levels should base on what they studied last year to continuously make further study according to plan. Institutions of higher learning should generally open classes on basic knowledge of law. Middle schools should open classes on general knowledge of law. Legal education with vivid images should be carried out among pupils. Urban enterprises and establishments should study laws and regulations related to their professional work. Increasingly more rural people are required to study the knowledge of law. We should persist in people's democratic dictatorship, continue strengthening the construction of grassroots political power, strictly deal blows to serious criminal offenders and economic criminals according to law, deal blows to hostile elements violating the socialist system, further intensify the overall improvement of social order, and mobilize all departments, units, and social forces to make concerted efforts to realize a further turn for the better in social order and to ensure the smooth progress of reform, opening up, and economic construction.

Fellow deputies: Efforts should be made to further expand the power of the people's governments at the county level. This is the urgent need of accelerating the program of building the two civilizations and developing the province's excellent situation. Counties are the combined part between the urban and rural areas and the connected point between macromanagement and micromanagement, and are assuming the important task of linking the urban areas with the rural areas and of serving as a link between top and bottom. On the basis of carrying out investigation and study and summing up experiences, we should formulate policies and measures to delegate much decisionmaking power to governments at the county level in order to enable them to better grasp the urban and rural economic situation as a whole, to successfully encorse the party's principles and policies among the grassroots level units; to successfully readjust the relationship among various departments and various localities; to do a good job in building small towns; to develop the economy with the combination among trade, industry, and agriculture, and among commerce, industry, and agriculture; and to accelerate the pace of eliminating the gap between the urban and rural areas.

In line with the demand of "taking the whole situation into consideration, actively carrying out readjustment, having departments be responsible, and rendering service to the grassroots-level units," we should enhance the building of ideology and workstyle among the government organs at all levels. This has a vital bearing on ensuring the fulfillment of various tasks in 1987. We should continuously and earnestly study the spirit of a series of directives issued by the CPC Central Committee during the period since the 3d Plenary Session of the 11th CPC Central Committee; totally master the two basic points of the party's line; act in high unison politically with the CPC Central Committee; actively plunge into the struggle of upholding the four cardinal

principles and opposing bourgeois liberalism; and should enhance our confidence in further conducting reforms, enforcing the open policy, and enlivening the economy. We should also further enhance our understanding on the commodity economy, deepen study of the macroeconomy, go deep into the grassroots-level units to learn about their situation, and should continuously upgrade the standard of making policies. We should firmly foster the concept of serving the grassroots-level units and the masses, carry forward the fine tradition of waging arduous struggle and building up the country through thrift and hard work, simplify meetings, curtail expenditures, make efforts and work industrially, be honest in performing the official duties, and should strive to create the first-grade work and to be examples for the masses through the work style of high efficiency and quick speed.

Fellow deputies: Four months of the year have already passed. During the period, the province's situation in both politics and the economy has been very good. The province is gradually deepening the positive education on upholding the four principles and the struggle against bourgeois liberalism. The campaign of "double increases" and "double curtails" has achieved preliminary effects. An enthusiastic upsurge of spring agricultural production has taken shape. The first quarter industrial production scored a 19.4-percent increase over the figure of the corresponding 1986 period, and the economic results also scored an obvious increase. At present the broad masses of cadres and the people have much ease of mind and have further heightened their spirit. Despite of the various existing difficulties along the road of advance, we are very confident and have capability to create a new situation in building the two civilizations!

The people throughout the province should close their ranks, units as one, make persistent efforts, actively forge ahead, and should carry on a tenacious struggle to win a new and still greater victory!

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CSO: 4006/686

## BRIEFS

IMPROVED ECONOMIC SITUATION--This year Sichuan Province has seriously implemented the central authorities' intentions on compressing the atmosphere, continued to deepen enterprises reform, and worked hard to tap potentials and carry out improvements. As a result a gratifying situation has emerged in the province's economy. By the end of April, industrial output value was 15.57 billion yuan, and financial revenue basically rose in step with production. Revenue from January to April increased by [number indistinct] percent compared with the same period last year, and fulfilled about 30 percent of the task for the year. Financial expenditures dropped by 3.92 percent compared with the same period of last year, and fulfilled 30.72 percent of the year's task. [Text] [Chengdu Sichuan Provincial Service in Mandarin 0000 GMT 26 May 87 HK] /12913

PURCHASING POWER SHOWS RISE--According to Hunan Ribao, the purchasing power of social groups in Hunan has by no means been effectively controlled this year, but has continued to increase. Purchasing expenditures of these groups in the first four months of the year were 605 million yuan, an increase of 29 percent over the same period last year. The main reason for this increase are, first, groups are tending to buy more expensive commodities. Second, more and more enterprises' departments, and trades are demanding to be assigned automobiles. Third, there are many loopholes and serious waste in medical care at public expense. Fourth, there is indiscriminate distribution of goods in kind and illegal purchases of commodities that are under special control. The provincial leadership group for controlling the purchasing power of social groups recently issued a circular to the whole province stipulating that the purchasing power index of these groups must be cut by 20 percent from last year's verified level. The control figure must not be exceeded. [Text] [Changsha Hunan Provincial Service in Mandarin 0000 GMT 24 May 87 HK] /12913

ENTERPRISE REFORM PROMOTED--Since the beginning of this year, a number of large- and medium-sized enterprises in our province have made important progress in deepening enterprise reform. A total of 48 large- and medium-sized enterprises in our province have implemented different types of responsibility systems for contracted operations in accordance with the principle of separating ownership and management. Since the beginning of this year, our province's large- and medium-sized enterprises have extensively implemented the system by which factory directors assume full responsibility, and have gradually established the key position and role held and played by factory directors within enterprises. The (Linghe) Coal Yard and the Qinghai

(Liming) Chemical Plant, and some other enterprises have also implemented the system of the factory director taking responsibility for achieving fixed goals during his term of office. [Excerpts] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 5 May 87 HK] /12913

LIAONING GOVERNMENT DECISION--The Liaoning Provincial Party Committee and the Provincial People's Government recently issued a regulation on resolutely preventing organs from interfering in the internal organizational setup of industrial enterprises. The regulation points out: Party and government organs at all levels and mass organizations are not allowed to ask internal organs of enterprises to expand the size of staffing and to arbitrarily raise the wage scale of the personnel of enterprise organs. The responsible departments of the enterprises are forbidden to take advantage of the enterprises' delegation of power and readjustment of relations of subordination to upgrade enterprises without authorization. While drawing up plans for enterprises to carry out temporary work, it is forbidden to ask them to establish special organs. Party and government organs at all levels and mass organizations are not allowed to temporarily transfer to other units to engage in temporary work. Those who have already been transferred must be sent back before the end of June. The regulation also points out: Party and government organs at all levels and mass organizations are forbidden to make things difficult or to put pressure on enterprises by not including them in the lists for appraising advanced units, not examining and accepting their products, and not recognizing their project items because they have not set up special organs or set up unrelated organs. [Text] [Shenyang Liaoning Provincial Service in Mandarin 0930 GMT 6 May 87 SK] /12913

PRACTICING ECONOMY STRESSED--More than 100,000 urban construction workers have pledged to ensure good engineering quality and complete Shanghai's 15 tasks on schedule with regard to 1987 key construction projects. At a 6 May meeting on mobilizing construction workers to make contributions, Mayor Jiang Zemin and Vice Mayor Ni Tianzeng call on the workers to practice economy and ensure good quality. Mayor Jiang Zemin said: The municipal government is undertaking the 15 tasks in order to make its limited financial resources yield the maximum results. In the course of performing the tasks, we can save a large amount of money if we practice economy, and wastes will occur if we fail to practice economy. We should practice economy particularly when building key construction projects. [Excerpt] [Shanghai City Service in Mandarin 0000 GMT 7 May 87 OW] /12913

CSO: 4006/698

## WORLD BANK LOAN TARGETED FOR GANSU PROVINCE

HK150800 Beijing CHINA DAILY in English 15 May 87 p 1

[Article by Zhao Jinming]

[Text] The World Bank is to provide China with a \$170.5 million loan to help Gansu, one of the country's poorest provinces, reduce poverty and raise rural incomes, according to an official of the Ministry of Finance.

The Gansu project includes agriculture, education, and rural industries, said Zhu Ping, director of the Second World Bank Division of the ministry's external finance department.

The International Development Association, the World Bank's affiliate for concessionary lending, will extend credit totaling \$150.5 million to the project in the northwestern province and the remainder will come from the World Bank.

Of the total loans, \$130 million will be used for financing two irrigation projects--\$123 million for supporting the Yindaruqin irrigation program (to divert water from the Datong River to Qinwangchuan area) and \$7 million for land development in the Guanchuan River basin, Zhu said.

The Yindaruqin irrigation program, now under preliminary construction, will need a total investment of 895 million yuan (\$242 million). The networks' pivotal projects will start construction next year.

When the two irrigation projects are completed by 1995, they will service 5,700 hectares of land. It is expected, that the total output of farming, forestry and animal husbandry will amount to 326 million yuan (about \$88 million). The farmers' per-capita income is then expected to increase to 284 yuan (\$76.50) from 145 yuan (\$39) at present.

The province will use \$20 million of World Bank loans to improve the quality and management of basic education.

The funds will help the province's five teacher training colleges increase recruitment of 8,200 from 3,500. In addition, 23 secondary normal schools and 400 middle schools scattered over 40 poverty-stricken counties will be equipped with more experimental equipment and dangerous classrooms will be renovated.

Another \$20 million loan will be used for developing light and rural enterprises, with the aim of providing more jobs and making full use of the natural resources of the province.

The appraisal work for the project has been completed by the World Bank and the feasibility study has been under examination and approval by the State Planning Commission.

Meanwhile, World Bank loans to China will reach \$5.5 billion from 1981 to the end of this June, according to a XINHUA report.

The loans have been mainly used for the construction of infrastructural facilities and raw materials industries. Of the figure, \$2 billion is interest-free.

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## OFFICIAL DISCUSSES 'CLOSE' ADB LOAN AGREEMENT

HK060858 Beijing CHINA DAILY in English 6 May 87 p 2

[Article by staff reporter Liu Hong]

[Text] China is close to signing an agreement with the Asian Development Bank (ADB) for its first loan from this monetary organization, an official from the People's Bank of China told CHINA DAILY yesterday.

"The loan is expected to total \$150 million at 7.36 percent fixed interest and a term of 15 years," said Che Peiqin, director of the International Department of the People's Bank of China and alternate governor from the bank to the ADB.

The final agreement for the \$150 million loan "will be signed soon" between the ADB and the China Investment Bank, one of the country's four banks entitled to raise overseas loans to fund China's enterprises, Che said.

The money will be used to finance technological renovations in some key state enterprises and to develop the country's light industry, especially textile manufacturing, Che said.

"China is also currently discussing possibilities with the ADB for more loans to fund technological renovations for its small and medium-sized enterprises," Che added.

China has received some \$420,000 in financial aid from ADB for training programs, research projects and technological studies on potential projects which ADB would like to fund, he noted.

"The ADB is considering giving another \$1.8 million worth of financial aid for similar purposes, including a feasibility study on constructing the Institute Building for the State Statistics Bureau," Che said.

China, the newest member of the ADB, was admitted in March 1986. The third largest shareholder after Japan and the United States, it was elected to the bank's 12-member board at the 20th annual board meeting held last month.

China enjoyed a good start in cooperation with ADB, Che remarked. "Frequent exchanges of visits by officials from China and the ADB have greatly promoted understanding between the two sides," he said. China has sent five groups involving 11 people to the ADB and 40 experts from the ADB have come to China for seminars and discussions.

"We deem it a duty for the ADB to foster regional economic prosperity and provide assistance to its developing members to get over difficulties in their economic development," Che said.

China will endeavor, together with all other members, to promote peace and stability in the Asian-Pacific region and regional economic cooperation as well, Che said.

Che also announced that China will play host to the 1989 board meeting of the ADB in Beijing. "We are making every effort possible for a successful meeting," he said. The 1988 meeting will be in Manila.

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## LEADING ECONOMIST COMMENTS ON FINANCIAL REFORMS

OW081417 Beijing XINHUA in English 1400 GMT 8 May 87

[Text] Beijing, 8 May (XINHUA)--Bank loans are replacing state allocation of funds now in China, as banks are playing an increasing role in the macro-control of the national economy, said Xue Muqiao in the latest issue of the FINANCIAL TIMES newspaper.

Xu said that the country needs to rely on the banking system as a sound financial lever to ensure equilibrium between total demand and total supply in developing China's planned commodity economy.

The economist published his article in the latest issue of the new bi-weekly newspaper that was started 1 May by major national financial institutions. The paper also carried an editorial that calls for the speeding up of reforms in the country's banking system.

The editorial quoted Chinese Premier Zhao Ziyang as saying in his government work report earlier this year that to speed up financial reforms is important for strengthening and improving macro-control of the national economy as well as an essential condition for enlivening the economy.

The on-going economic reforms demand that the position of financial devices be strengthened to adjust total social demand, said the editorial.

Banks play an important role also in enlivening enterprises, the editorial pointed out, adding that banks themselves need to be enlivened to operate as enterprises instead of mere governmental institutions.

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CSO: 4020/188

## INSURANCE OFFICIAL PREDICTS RECORD INCOME

HK140559 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 14 May 87 p 2

[Text] China's insurance premium income is nearing a record level, according to the seventh five-year plan (1986-1990). By 1990, the premium notice is forecast to reach U.S. \$5 billion--double the 1985 figure.

Chairman and president of People's Insurance Co. of China (PICC), Qin Daofu, said income from property premium would rise 1 and 1/2 times over the \$2.8 billion figure in 1985. Life insurance earnings would increase more than ten-fold and foreign insurance income would double, he said.

In 1986, PICC netted premium income of 5.25 billion yuan (about HK \$11 billion). Mr Qin said this figure was insignificant to a country with a population of one billion, but noted PICC attained an average annual growth rate of 41 percent in the past seven years.

China's insurance industry resumed operations only in 1980.

PICC branches and sub-branches in China increased to 2,600 in 1986, from 50 in 1980, with the number of employees rising to about 60,000 last year from less than 500 in 1980.

Premier Zhao Ziyang told the National People's Congress in March that China would vigorously promote insurance services in both urban and rural areas.

PICC claims have grown along with premium income. From 1980 to 1986, PICC paid out about 5.4 billion yuan for various classes of claims. Based on the 1985 PICC annual report, the claims accounted for 40 percent of its 3.2 billion yuan premium income.

J.C. Shung, the vice chairman of Ming An (Over-seas) Inc, a PICC consulting company, said the large number of claims was mainly due to natural disasters. For example, more than 70 million yuan was paid to cover claims caused by a flood in Sichuan Province in 1981, while in 1985, PICC paid about 300 million yuan for typhoon damage in the provinces of Liaoning, Jilin, Heilongjiang and Shandong.

"Besides the uncontrollable factors...we expect the claims will decrease in the next two years since the economic and social environments in China have improved," he said.

At present, properties worth 800 billion yuan or more are protected by PICC in the domestic business section. Two-thirds of China's vehicles--about four million in number--are covered by motor vehicle insurance, together with the ancillary third-party liability.

Nearly 550,000 policies have been taken out for company property insurance and more than 50 million urban and rural households have been covered against household property insurance.

Life insurance, as well, has developed at a quick pace and at present more than 60 million persons have purchased life policies.

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## INDUSTRIAL, COMMERCIAL BANK EXPANDS TRUST BUSINESS

OW070726 Beijing XINHUA in English 0650 GMT 7 May 87

[Text] Beijing, 7 May (XINHUA)--The Industrial and Commercial Bank of China, which funds urban industrial and commercial businesses, reported to have absorbed trust funds totaling 11 billion yuan (about U.S. \$3.4 billion) in the first three months of this year and the amount of such funds used in upgrading technology of enterprises, developing new products and promoting economic cooperation had come to 12.5 billion.

This shows a 27.9 and 22.5 percent increase, respectively, over the same period of last year, according to a bank official here today.

The bank has issued bonds on two occasions, totaling two billion yuan in the past few years and its 21 branches have been entrusted to issue bonds and stocks.

The Shanghai branch of the bank started stock exchange last year. In addition the branches in 21 provinces, autonomous regions and municipalities have offered services in labor protection trust funds, absorbing more than 200 million yuan.

The trust departments of the bank also handle credit instruments and other trust services.

The Beijing, Tianjin and Chongqing branches of the bank have also begun to handle foreign exchange trust deposits, trust loans and leasing of foreign exchange accommodation character, foreign exchange guarantee and mortgage loans.

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## BEIJING RESIDENTS PURCHASE CONSTRUCTION BONDS

OW171238 Beijing XINHUA in English 1133 GMT 17 May 87

[Text] Beijing, 17 May (XINHUA)--Long queues formed early in the morning by the gates of the People's Construction Bank offices in the Chinese capital, waiting to buy bonds for raising money for key construction projects.

In a 500-meter long line, an old man in his seventies told reporters that he was a red army soldier in the revolutionary war years and came especially from Tianjin and he wanted to buy 5,000 yuan. "I am too old and too weak to work and buying bonds is also my contribution to the country's construction," he said.

It was learned that the biggest buyer today was an aged professor who bought 100,000 yuan worth of the bonds at a local bank office.

The Beijing branch of the People's Construction Bank of Chian plans to issue key construction projects bonds worth 15 million yuan, said Yang Shoucheng, president of the Beijing branch. Funds raised from the sales will all be used as loans to the state key projects.

The bonds for key projects are available in denominations of 50 yuan and 100 yuan, and have an annual interest rate of 10.5 percent for a three-year maturity term.

Meanwhile, the banks issued ordinary financial bonds worth 50 million yuan and funds raised will be mostly used as loans to key projects, Yand said.

The ordinary bonds, with face values of 100 yuan and 500 yuan, respectively, carry annual interest rates of 10 percent for a maturity term of two years, according to Yang.

The interest on the bonds will be exempt from income tax. It was estimated that a total of 180 million yuan worth of bonds have been issued by Beijing banks since the beginning of this year.

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## TAX REFORMS EXPLAINED AT HONG KONG SEMINAR

HK100640 Hong Kong SOUTH CHINA SUNDAY MORNING POST (SUNDAY MONEY) in English  
10 May 87 p 2

[Article by Walter Kwauk, director of Peat, Marwick Mitchell & Company]

[Text] A delegation of 15 senior Chinese officials, headed by China's tax commissioner, Mr Jin Xin, were invited to Hong Kong recently to participate as speakers and workshop panel members at the 1987 China Tax and Investment Conference.

The first day of the conference discussed the recent Chinese tax reform and its impact on foreign investors, and the second day covered the new Chinese regulations shaping the investment scene in China.

All those who attended the two-day conference found it extremely informative as it also served as a forum for exchange of ideas. Below is a summary of some of the highlights with respect to the Chinese taxation discussed during the conference.

#### Generally Accepted International Practice

Commissioner Jin confirmed that the Chinese tax system for foreigners will, in general, be similar to the generally accepted international practice and concepts and is based on the fundamental open-door policy.

The future development of the tax system will be in line with the national policy of encouraging foreign investment and the import of technology. The following principles will be built into the tax system:

- protect China's interest;
- low basis of taxation;
- availability of preferential tax treatments;
- simplicity in administration.

#### Territorial Distinction

To accommodate the establishment of special investment areas, specific tax concessions are offered to foreign investments in:

--Fourteen open coastal cities namely: Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guanzhou, Zhanjiang and Beihai.

--The establishment of economic zones in Yangtse River delta, Pearl River delta and Xiamen, Quanzhou and Zhangzhou in southern Fujian.

Apparently, China has formed priority for development regions along the special economic zones, coastal open cities, coastal economic, open areas and interior. In accordance with this pattern, China's tax system relating to foreign investment has also adopted the practice territorial distinction.

#### Priority Projects

Again China plans to use its taxation policy as one of the key incentives to encourage foreign investment in the technology intensive and export oriented industries.

This is consistent with the objectives of the country's seventh five-year plan of improving its foreign exchange earnings and increase the utilization of foreign funds to encourage the import of advanced technology. Some of the priority projects noted are:

- export-oriented enterprises;
- technologically advanced enterprises;
- port construction;
- transfer of advanced technologies.

The terms "export-oriented enterprises" and "technologically advanced enterprises" first appeared in the Provisions of the State Council of the People's Republic of China for the Encouragement of Foreign Investment (the so-called 22-article provisions announced in October last year).

Aside from the tax concessions, qualified enterprises can enjoy the beneficial treatment stipulated in the 22-article provisions which include reduced labor costs and land-use fees; priority in obtaining loans; utility, transportation and communication facilities; and allowing greater management autonomy.

In January this year, the Ministry of Finance promulgated implementation measures which explain in detail the relevant preferential terms of taxation matters referred to in the 22-article provisions.

#### Preferential Tax Treatment

China has offered various tax concessions to investment in the development region and priority projects. Some of the common preferential terms include:

- lower tax rate;
- specific period of tax exemption or reduction;
- accelerated fixed assets depreciation;

- exemption from customs duties and taxes on certain imports;
- refund of tax on reinvestment;
- reduction or exemption in withholding tax.

The Chinese officials do realize that the availability of tax concessions is only one of the factors for appraising a country's investment environment, as the above preferential tax treatment is meaningless for an investment which is not profitable.

#### Individual Income Tax Tax

Since their promulgation in September and December 1980 respectively, the Individual Income Tax law and its implementation rules and regulations have not been subject to substantial modifications.

However, the renminbi has depreciated substantially since. For example, in 1980, U.S. \$1 was worth 1.9 renminbi yuan. Currently U.S. \$1 is worth 3.7 RMB yuan. Against the Japanese yen and other European currencies, the depreciation is even more substantial.

According to the law, individual income tax is levied on monthly renminbi income and applied on a progressive basis. Since the income tax rate bracket has not changed, the depreciation of the renminbi yuan actually increased the effective tax rates for individuals.

A taxpayer earning U.S. \$5,000 per month in 1980 will have to pay a monthly tax of \$922 (19.8 percent) while currently the same income would attract monthly tax of \$1,529 (30.5 percent). This is probably the only area where taxation burden in China actually increased since 1980.

Commissioner Jin appreciated the above concern and indicated that his taxation bureau is reviewing the situation and may offer relief to taxpayers on individual income tax in the near future.

#### Hong Kong and China Double Taxation Relief

In view of Hong Kong's political status, it is not appropriate for Hong Kong and China to conclude a formal tax treaty. In the absence of a tax treaty, there is a real concern that Hong Kong companies and individuals operating in China may be subject to taxation both in China and Hong Kong.

Commissioner Jin indicated that the Chinese tax authority is also very concerned about the problem of double taxation as it may discourage Hong Kong business investing in China. He also indicated that discussions through appropriate channels is currently underway between the Chinese and Hong Kong Governments.

Throughout the conference, the Chinese tax officials indicated that they will resolve taxation issues in accordance with international tax practices complemented by China's economic policies and philosophies.

It is our impression that these officials are willing to listen to all views and opinions and welcome constructive recommendations.

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## BRIEFS

BOND-ISSUING ABROAD--Beijing, 12 May (XINHUA)--The international sale of China's bonds had raised nearly U.S. \$2.2 billion by the end of last year, today's INTERNATIONAL BUSINESS newspaper reports. China first sold bonds to fund its modernization drive in January 1982 when China International Trust and Investment Corporation (CITIC) issued bonds worth 10 billion Japanese yen in Tokyo. Altogether U.S. \$2.189 billion in foreign currency had been raised by the end of last year by the sale of 21 bonds issued by the Bank of China, CITIC and other domestic trust and investment corporations since 1982. Bonds sold in Japanese yen accounted for 68 percent of total sales, U.S. dollars made up 23 percent of the total, while Deutsche marks and Hong Kong dollars accounted for 5 and 4 percent of the value of bonds respectively. This year, CITIC has issued bonds in Tokyo and Hong Kong with a combined value of 60 billion Japanese yen and the Bank of China has sold U.S. \$200 million worth of bonds in Singapore. Bond revenue is invested mainly in key state projects and Sino-foreign joint ventures, many of which have yielded positive results, the paper added. [Text] [Beijing XINHUA in English 0735 GMT 12 May 87 OW] /9738

BONDS, LONG-TERM MONEY MARKETS--Shenyang, 5 May (XINHUA)--China will issue bonds totaling 17 billion yuan (about U.S. \$4.6 billion) and open long-term money markets this year, a senior bank official said here today. Zhou Hanrong, vice president of the People's Construction Bank of China, said that the long-term money market will mainly involve the sale and purchase of bonds. "Our bank plays a vital role in issuing bonds and promoting their circulation," he told XINHUA. According to Zhou, the market will help finance processing industries, non-productive facilities and top-priority projects, promote the balanced growth of China's economy and improve the country's market system. The People's Construction Bank of China had issued 5.5 billion yuan in long-term bonds on behalf of local authorities and enterprises by the end of last year. Shenyang, the capital of Liaoning Province, opened China's first stock market last August. [Text] [Beijing XINHUA in English 1220 GMT 5 May 87 OW] /9738

ADDITIONAL WORLD BANK LOANS--Beijing, 6 May (XINHUA)--World Bank loans to China from 1981 to the end of this June will reach U.S. \$5.5 billion, a bank official said here today. Edwin R. Lim, head of the World Bank's Beijing office, said, "the loans have been mainly used for the construction of infrastructure facilities and raw materials industries, and of the figure, U.S. \$2 billion are interest-free." According to Lim, the bank will grant loans

of U.S. \$1.4 billion to China this year, and an additional \$2 billion annually near the end of the country's seventh five-year plan period (1986-1990)." "These loans, with terms of 20 to 25 years, will also be designated for the construction of infrastructure facilities," he added. "To ensure successful results," Lim explained, "the World Bank has emphasized feasibility studies on projects before granting loans and has helped China train management personnel." Lim said, "working with China's Ministry of Finance, the World Bank has held 56 training courses since 1981, which were also funded by the United Nationsl development program." [Text] [Beijing XINHUA in English 0949 GMT 6 May 87 OW] /9738

CSO: 4020/188

## INTERIM RULES FOR MINERAL PROSPECTING PUBLISHED

OWI40121 Beijing XINHUA Domestic Service in Chinese 0605 GMT 13 May 87

[Text] Beijing, 13 May (XINHUA)--Provisional Measures Governing the Work of Registration for Prospecting Mineral Resources

Promulgated by the State Council on 29 April 1987

Article 1. These measures have been formulated in accordance with the relevant provisions of "The Mineral Resources Law of the People's Republic of China," in order to increase management of mineral prospecting, improve prospecting results and the socio-economic benefits [xiao yi] in this connection, and protect legitimate prospecting rights.

Article 2. Applications shall be filed for registration of the rights to engage in the following prospecting work in the territory and territorial waters of the People's Republic of China:

1. Geological surveys in areas drawn to a scale of 1:200,000 or to a larger scale;
2. general surveys and prospecting for metallic, nonmetallic, and energy resources;
3. prospecting for underground water, geothermal resources, and mineral springs;
4. geophysical and geochemical surveys of mineral resources; and
5. aerial remote-sensing geological surveys.

Article 3. Prospecting work falling under the following categories need not be registered:

1. Prospecting for production purposes, within the mining areas designated or approved by mining enterprises; and

2. on-the-spot geological surveys and inspections of mining units which do not conduct surveys.

Article 4. Geology and mineral resources departments under the State Council and the geology and mineral resources departments of various provincial, autonomous regional, and municipal people's governments empowered by the State Council departments are the competent authorities in charge of registration for mineral prospecting.

Registration for the first and second kinds of prospecting projects under the state geological prospecting plan, and for prospecting projects undertaken in Chinese territorial waters and in other waters under Chinese jurisdiction, shall be handled by geology and mineral resources departments under the State Council, while registration for other geological prospecting projects shall be handled by the geology and mineral resources departments of provincial, autonomous regional, and municipal people's governments empowered by the State Council.

Article 5. Competent departments under the State Council shall make pre-registration examinations and coordinating efforts in accordance with the relevant provisions of these measures in connection with the prospecting projects to be registered with them. They shall also organize efforts to conduct these projects, together with supervision and inspection after registration.

Article 6. In applying for registration, a prospecting unit with independent accounting shall make use of such pertinent documents as the approved geological prospecting plan or contract to fill out the application form with a rundown of prospecting projects. That unit, or the department in charge of it, shall carry out registration procedures with the registration authorities to obtain a prospecting license.

Article 7. In carrying out registration procedures, a prospecting unit, or the department in charge of it, shall submit the following documents and data to the registration authorities:

1. The approved geological prospecting plan or contract;
2. the application form; and
3. a drawing of the prospecting area, showing the location with coordinates.

Article 8. Registration authorities shall check the prospecting projects to be registered in accordance with the provisions under Articles 10, 11, 12, and 13 of these measures, and make a decision on whether to grant registration within 40 days from the day registration procedures commence. Special circumstances shall be expected.

Article 9. Registration authorities shall propose readjustment or cancellation of a prospecting project, for which registration is denied, to the department or unit concerned. Article 22 of these measures shall apply to controversial projects.

Article 10. In applying for prospecting areas with paragenetic or associated minerals, the principles of comprehensive prospecting shall be followed, except for those mineral prospecting projects for which the State Council's planning departments have other regulations.

Article 11. In applying for registering prospecting projects, for which the same phase or scale of work has been completed, new understanding or scientific rationale or technologies capable of upgrading prospecting levels shall be presented or adopted.

Article 12. Except for laterally associated or cooperative projects, registration authorities shall examine the applications by two or more units for prospecting the same area in accordance with the following principles for selecting the better or the best:

1. The first and second type of project under the state geological prospecting plan shall take precedence over other projects.
2. Projects, for which prospecting work was done in the same area in the past, or on which there are more practical data, or which have been more thoroughly researched, shall have precedence.
3. Projects beneficial to construction and production shall have priority.
4. Projects, whose prospecting plans are more rational, require less investment, and promise good results, shall have precedence.
5. Projects for which applications for registration have been filed.

Article 13. The scope of a prospecting project shall match the technology, equipment, and funds of the prospecting unit.

Article 14. A prospecting unit shall forward the relevant documents and the prospecting license to the construction bank concerned for the purpose of getting fund allocations or loans. Banks shall not allocate funds or extend loans to those projects which have not been registered.

Article 15. Registration for those prospecting projects started before these measures take effect shall be carried out within 6 months after these measures are promulgated.

Article 16. A prospecting unit shall start work within 6 months (within 8 months in high-altitude, cold areas) after registration. In case of special circumstances, the reasons shall be stated with applying for registration.

A prospecting unit shall report its work to the registration authorities.

Article 17. The scope of a prospecting project shall meet the specified requirements. Registration authorities shall reduce the scope in cooperation with other departments when a project has failed to meet the specific requirements.

Article 18. For any of the following changes in the approved project, a prospecting unit shall alter its registration with the registration authorities and change its prospecting license:

1. Altering the scope of prospecting;
2. altering the object of prospecting; and
3. altering the phase of prospecting.

Article 19. A prospecting license shall be valid for the period of prospecting work. However, it shall not be valid for more than 5 years. If the prospecting period is extended, registration shall be renewed within 3 months before the license expires.

Article 20. In case of canceling a project of completing prospecting work, a prospecting unit shall report the reasons for canceling the project to the registration authorities or fill out and file a project completion report to have the project deregistered.

Article 21. A prospecting unit shall report the situation truthfully to the registration authorities if the latter find it necessary to investigate and acquire an understanding of the relevant circumstances listed under articles 16, 17, and 18 of these measures.

Article 22. Registration authorities shall consult with the departments concerned in solving controversial prospecting projects. If the consultations fail, the matter shall be referred to the planning departments of the State Council, or of provincial, autonomous regional, and municipal authorities, for adjudication. The registration authorities shall execute the rulings rendered by these departments.

Article 23. Geology and mineral resources departments under the State Council shall print mineral prospecting licenses.

No units or individual shall transfer or make unauthorized use of prospecting licenses. Nor shall they print these licenses without authorization, or falsify them.

Article 24. A fee shall be paid in accordance with the relevant provisions for registration procedures in connection with a prospecting project. The provisions for charging these fees shall be formulated separately by the geology and mineral resources departments under the State Council, and by financial departments.

Article 25. The state shall protect the legitimate prospecting rights of the licensed prospecting units. Stealing and robbing the property of a prospecting unit, destroying prospecting facilities, and disrupting the production and working order in a prospecting area shall be dealt with in accordance with Article 41 of "The Mineral Resources Law."

Article 26. In case of transferring, using, or printing prospecting licenses without authorization, and of falsifying prospecting licenses, the registration authorities shall suspend the prospecting licenses, or confiscate the printed and falsified documents. They shall also seize the illegally obtained proceeds. A fine of less than 50 percent of those proceeds may also be imposed simultaneously. Criminal liability shall be pursued in accordance with the law, if the circumstances are serious enough to constitute a crime.

Article 27. In cases where a prospecting unit acts in any of the following ways in violation of the provisions of these measures: the registration authorities shall give a warning, or impose a fine of less than 30,000 yuan, or advise the bank to stop fund allocations or loans, or suspend its prospecting license, as the circumstances of the case may warrant:

1. Prospecting without registration;
2. prospecting with authorization in other prospecting areas;
3. failing to register a prospecting project already started within 6 months after these measures are promulgated;
4. reporting the relevant circumstances without following the pertinent provisions, misreporting, or partially reporting them;
5. failing to start work on a prospecting project already registered within 6 months (within 8 months in high-altitude, cold areas) after registration, or halting work for 6 months (for 8 months in high-altitude, cold areas) after prospecting has started;
6. failing to later the registration under any of the circumstances listed under Article 18 of these measures; and
7. continuing to work without renewing the registration after the prospecting license has expired.

Article 28. The party concerned may appeal to a people's court within 15 days after receiving the notice of disciplinary action, if it is dissatisfied with that action. The organ rendering a ruling on imposing a fine or confiscating illegal proceeds shall apply to a people's court for compulsory execution of the ruling, if no appeal is filed upon expiry of the ruling, or if the ruling is not carried out.

Article 29. Registration authorities shall check and comment on Sino-foreign invested and cooperative prospecting projects and prospecting projects undertaken by foreign enterprises in Chinese territory or in Chinese territorial waters prior to the signing of the contract with accordance with the provisions of these measures. After the contract is signed, the unit concerned on the Chinese side shall carry out registration procedures with the registration authorities.

Article 30. Petroleum and nuclear industrial departments under the State Council shall handle registration for the prospecting of petroleum, natural gas, and radioactive minerals, and issue licenses in this connection. They shall report to the geology and mineral resources departments under the State Council for the record.

Article 31. These measures shall be interpreted by the geology and mineral resources departments under the State Council.

Article 32. These measures shall take effect on the day of promulgation.

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CSO: 4020/188

## BRIEFS

LARGEST SULPHUR-IRON MINE--The new Yunfu sulphur-iron mine in Guangdong Province, the largest in China, went into test operations recently, the Ministry of Geology and Mineral Resources told XINHUA today. With a capacity of 3 million tons of ore annually, the mine is the largest sulphur-iron production center in the country. The mine boasts the largest reserves in Asia and the second largest in the world. The grade of ore is higher than that of any other mine of the same type in China. The ore can be used immediately after extraction and requires no processing. An ore dressing plant attached to the mine, which can produce 7 thousand tons of sulphur concentrate a day, is the largest in the country. The Yunfu sulphur mine now exports part of its good quality ore abroad and has developed a good reputation on the international market, officials said. [Text] [Beijing XINHUA in English 0255 GMT 10 Apr 87 OW] /9738

JIAODONG PENINSULA GOLD BASE--Beijing, 13 Apr (XINHUA)--Gold reserves on the Jiaodong peninsula in east Shandong Province have been verified as the largest in China with 40 proven gold deposits including the three largest in the country. According to the CHINA GEOLOGICAL JOURNAL, the peninsula now has more than 30 gold mines and nearly 100 gold pits employing more than 10,000 people. Since 1976 gold production in this area has been increasing at an annual rate of 17 percent. It's total annual output is on top in the nation. Four gold mines of Zhaoyuan, Xincheng, Jiaojia and Sanshan island have been listed among the country's 10 largest mines. Since the 1960's new gold deposits have been discovered in this area. The gold deposits are large and not very deep underground so they can be easily exploited. [Text] [Beijing XINHUA in English 1227 GMT 13 Apr 87 OW] /9738

CSO: 4020/188

## BRIEFS

RURAL LAW OFFICES OPEN--Beijing, 13 May (XINHUA)--China's rural areas have opened 20,000 law offices to assist rural enterprises and handle civil disputes, today's overseas edition of the PEOPLE'S DAILY reported. "Each country government office used to have one notary and one legal advisory office," the paper said, "and the new law offices are helping to handle the workload. At the end of 1986, the offices had handled over 110,000 business disputes and saved rural enterprises from losses of 187 million yuan (U.S. \$50.5 million)," the report said. "The offices dealt with 610,000 notary cases, 33.8 percent of the total handled by county notaries, and offered legal consultation about one million times, 64.9 percent of the total times legal advisory offices offered were consulted during the same period," the paper said. "These non-governmental law offices have played an important role in developing the rural economy, facilitating the ongoing reforms and strengthening the legal system in rural areas," the paper said. [Text] [Beijing XINHUA in English 0603 GMT 13 May 87 OW] /9738

HIGHER OUTPUT VALUE--Beijing, 10 May (XINHUA)--Total output value of China's rural enterprises reached 65.4 billion yuan (about U.S. \$17.8 billion) in the first quarter of this year, up 40 percent over the same period last year, the Ministry of Agriculture, Animal Husbandry and Fisheries announced here today. Profits turned over to the state were up 35 percent in this period over the same period last year, the ministry told XINHUA. The country's private sector recorded about a 60 percent rise in production value in the same time period, it added. The ministry attributed the rise to the nationwide drive to increase cost efficiency in enterprises, which has helped to improve product quality and reduce production cost. [Text] [Beijing XINHUA in English 0109 GMT 10 May 87 OW] /9738

CSO: 4020/188

## FUJIAN PROVINCE TO DEVELOP TIES WITH HONG KONG

HK250754 Beijing CHINA DAILY in English 25 May 87 p 2

[By staff reporter Tian Ying]

[Text] Hong Kong--The government of China's Fujian Province is urging Hong Kong businessmen to further improve ties between the region and the Minnan delta area in the southern part of the province, by setting up joint ventures or by establishing processing operations there.

A delegation from Fujian opened a seminar on the province's current economic situation, last week in Hong Kong, to attract investment for 113 projects the delta area has listed for a trade and economic cooperation meeting expected to open in September in Xiamen.

The listed projects include machinery, electronics, textiles, foodstuffs and chemicals. Emphasis is being placed on the development of infrastructures, such as energy and transport, to create an adequate environment for an open economy.

Lin Mingkan, vice-director of the General Office of Fujian Provincial Government, told CHINA DAILY the mountainous province has, for many years, had a good relationship with Hong Kong. About two-thirds of the total \$984 million direct foreign investment the province has attracted since 1979 is from Hong Kong.

The Minnan area is a long and narrow delta zone formed by the cities of Xiamen, Zhangzhou and Quanzhou and linked with Longyan Prefecture as the hinterland. Covering 36 percent of the province's territory, it has a population of 12.16 million.

Since the Xiamen Special Economic Zone was established in 1980, 11 counties in the delta have been designated by the provincial government as open economic districts and 13 towns as key industrial satellite towns, Lin said.

The decision-making power granted by central government has brought about a great economic advance to the area, the vice-director said.

Last year, the province's industrial and agricultural output value totalled 10.4 billion yuan (\$2.8 billion), a 125 percent increase over 1985.

By the end of 1986, the area had signed 506 contracts for the establishment of Sino-foreign joint ventures, co-operative projects and wholly foreign owned enterprises, more than \$557 million of foreign investment was involved, about 300 such enterprises have gone into operation.

Last year, foreign-funded enterprises in the area achieved a total production value of \$168 million, accounting for 57 percent of the total in the province, Lin said.

Jiang Ping, vice-mayor of Xiamen, also gave details about the Xiamen SEZ's development emphasis to about 300 Hong Kong businessmen at the seminar.

He said the development priorities will be on energy, transport and cargo container shipping. The zone will also develop the electronics, machinery, instruments, building materials, textiles and foodstuff industries, Jiang said.

The zone will also make use of its natural resources to develop animal husbandry, fisheries and stockfeed industries.

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CSO: 4020/194

GUANGDONG RANKS AS TOP PROVINCIAL EXPORTER IN 1986

OW141342 Beijing XINHUA in English 1122 GMT 14 Apr 87

[Text] Beijing, 14 Apr (XINHUA)--Guangdong Province exported 1.29 billion U.S. dollars-worth of commodities in the first quarter of this year, up 75 percent over the same period last year, Deputy Governor Yu Fei said here today.

The province exported 4.29 billion U.S. dollars-worth of goods last year, accounting for one-seventh of the country's total and ranking first in China.

Yu Fei, who attended the Fifth Session of the Sixth National People's Congress which closed here Saturday, told XINHUA the province's total volume of exports this year is expected to top five billion U.S. dollars, up 15 percent to 20 percent over last year.

The deputy governor attributed this to the setting up of more export-oriented production bases, rearranging the structure of export products and boosting local industries.

Guangdong exports more than 5,000 varieties of goods to 140 countries and regions, and 70 percent of the exports are light industrial and textile products.

Yu Fei said the province has set up 120 trading organizations in the United States, Canada, Europe and Southeast Asia to promote sales.

Last year saw the Shenzhen Special Economic Zone in Guangdong Province export 725 million U.S. dollars-worth of goods abroad. Also, local and township industries, and foreign-funded enterprises grew rapidly in the development area of the Pearl River Delta.

Yu said the trade volume of the spring and autumn export commodity fairs in Guangzhou, capital of Guangdong Province, accounts for one-quarter of the province's annual export.

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CSO: 4020/190

## GUANGDONG WORKERS PROCESS HONG KONG, MACAO GOODS

OW281314 Beijing XINHUA in English 1145 GMT 28 Apr 87

[Text] Guangzhou, 28 Apr (XINHUA)--Growing cooperation between Hong Kong and Macao and Guangdong Province has brought a boom to their respective economies, an official of the Guangdong foreign economic relations and trade office said today.

An increasing number of enterprises in Hong Kong and Macao have been moving their processing and assembly operations to Guangdong Province in the past few years to take advantage of the low-cost labor there.

In Hong Kong alone, the latest issue of the HENG SENG ECONOMIC MONTHLY reported, more than 2,000 manufacturing firms have interest in Guangdong.

So far, Guangdong has concluded more than 70,000 deals with Hong Kong and Macao, concerning 150 labor-intensive products such as garments, woollen knitwear, toys, artificial flowers, and electronic and plastic goods.

More than 9,000 local factories, with a total employment of near one million, are engaged in processing and assembly for Hong Kong and Macao firms.

Every day, thousands of trucks pass the Wenzhou customs office in the Shenzhen Special Economic Zone, carrying raw materials into and manufactured goods from Guangdong.

Through the cooperation, the official said, Hong Kong and Macao enterprises cut production costs and increase the competitive power of their products in the international market.

Unemployment rate in Hong Kong has dropped to an all time low of only two percent. The cooperation makes it possible to concentrate efforts on more sophisticated activities such as marketing, design, packaging, and management control.

On the other hand, he said, Guangdong has not only solved the problem of unemployment but has also had to recruit a large number of workers from other parts of China.

Last year, the province earned a processing fee of 270 million U.S. dollars, constituting the principle source of hard currency.

Meanwhile, Guangdong has developed a number of export goods. Take the toy industry as an example. Previously, it exported no toys, but last year 700 new toy factories exported products worth 89 million U.S. dollars, outstripping Shanghai, a key toy exporter.

The province imported 800,000 pieces or sets of machines worth a total of more than 500 million U.S. dollars to update its medium-size and small enterprises. As a result, its textile industry is now well equipped and the output value of electronic products jumped from the country's ninth place in 1985 to third last year.

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CSO, 4020/190

## JIANGSU'S GU URGES ADVANCED TECHNOLOGY IMPORTS

OW271902 Beijing XINHUA in English 1437 GMT 27 Apr 87

[Text] Nanjing, April 27 (XINHUA)--East China's Jiangsu Province will accelerate the introduction of advanced technology to further promote export-oriented industries this year, said Governor Gu Xiulian recently.

The province earned 567 million U.S. dollars from exports during the first quarter of this year--34.6 percent up over the same period of last year, according to statistics.

Reporting to the Fifth Session of the Sixth Provincial People's Congress, Gu said that the provincial government plans to boost its foreign exchange earnings to 1.8 billion U.S. dollars and utilize 200 million U.S. dollars in foreign investment this year--both big increases compared with 1986.

Local authorities have increased contacts with foreign businesses since the beginning of this year. They approved 39 new projects to be set up with foreign investments totalling 33.18 million U.S. dollars. This is three times that of the same period of 1986.

The provincial foreign trade control department has provided local companies with greater autonomy in dealing with external trade. Local authorities have also encouraged factories to turn out more export goods by providing them with more loans and giving tax breaks.

Over the past year, local factories have also processed more goods with raw materials supplied by foreign companies. And the number of factories using international quality-control standards has increased from 70 last year to about 500.

The province has also doubled the number of satellite towns now open to the outside world to 79 around the cities of Suzhou, Wuxi and Changzhou.

Moreover, the five ports of Nantong, Lianyungang, Zhangjiagang, Nanjing and Zhenjiang are now open to foreign vessels, giving a boost to foreign trade.

Jiangsu Province utilized a total of 183 million U.S. dollars in foreign investments last year, or 100 percent more than in the previous year, to revamp existing enterprises and upgrade production, the governor said, adding that joint ventures and cooperative enterprises now number more than 120.

**LIAONING SUCCESSFULLY PROMOTES TRADE WITH JAPAN**

OW180908 Beijing XINHUA in English 0746 GMT 18 Apr 87

[Text] Shenyang, 18 Apr (XINHUA)---Japan has become the largest trade partner of Liaoning, one of the three heavy industrial provinces in northeast China, with a total export value of 12 billion yuan in the past six years.

"Liaoning has signed 441 contracts with 130 countries since 1981, of which 143 were signed with Japan," said Wang Yongduo, a leading official in charge of provincial trade with foreign countries.

The economic and trade cooperation with Japan includes electronics, textile, light industry, metallurgy, architecture and commerce.

"In the meantime, Japan has opened 39 joint ventures in the province, accounting for 25 percent of the total number in Liaoning," Wang said.

The province has always enjoyed the reputation of having the "five major bases," namely, iron and steel, energy resources, machinery, forestry and food grain. It boasts 19,000 enterprises and a number of port cities including Dalian, Yingkou and Dandong. It is also rich in sorghum, maize, paddy rice and over 100 kinds of minerals.

Wang said, "We should promote trade with other countries in future on the basis of mutual benefit. Priority will be given to compensation trade and establishment of enterprises with foreign investment."

"In the current Seventh 5-Year Plan (1986-90), the province will import two billion U.S. dollars for bringing in advanced foreign equipment and technology to upgrade the existing equipment in the province," Wang added.

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CSO: 4020/190

## LIAONING GOVERNOR DISCUSSES PLANS FOR LIAODONG

OW250328 Beijing XINHUA in English 0107 GMT 25 May 87

[Text] Shenyang, 25 May (XINHUA)--Northeast China's Liaoning Province has developed a blueprint that should turn its Liaodong Peninsula into a large export center, said its governor Li Changchun.

"We will build 200 export-oriented industrial bases and factories, that each should earn five million U.S. dollars from exports annually, and 50 export-oriented agricultural bases in the peninsula," Li said.

The export earnings of the peninsula are expected to grow an average of 12.5 percent yearly starting this year, Li said adding that the provincial output value of export goods will account for 15 percent of the province's total industrial and agricultural output value by the year 2000.

The peninsula, with a solid industrial base in heavy and metallurgical industries, will require some three billion U.S. dollars worth of foreign investment to upgrade 200 of its key enterprises, according to Li.

"By 1990, the Liaodong peninsula will increase its total industrial and agricultural output value to 96.6 billion yuan with an average annual growth rate of 7.9 percent," Li said.

The province has also decided to grant 150 big and medium-sized enterprises authority to handle foreign trade affairs, the governor said.

"To improve the investment environment in Liaodong," Li said, "we will add 38 shipping berths to the region's ports which will increase handling capacity by 30 million tons."

The peninsula includes 10 major cities and 22 counties in Liaoning Province with a total area of 58,400 square meters. The peninsula's industrial output value accounts for 90 percent of that produced by Liaoning Province and seven percent of the total national figure.

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CSO: 4020/194

## SHANGHAI OFFICIAL DISCUSSES FOREIGN INVESTMENT

OW240214 Beijing XINHUA in English 0154 GMT 24 May 87

[Text] Shanghai, 24 May (XINHUA)--The Shanghai Municipal Authorities approved 36 foreign-funded enterprises in the first four months of this year, involving 152 million U.S. dollars in total investment.

According to the municipal commission of foreign economic relations and trade, 14 foreign-funded businesses were approved during the same period in 1986, involving 11 million U.S. dollars in total investment.

Now, four foreign-funded enterprises are operational in Shanghai's Minhang Economic Development Zone designed for foreign investors, a commission official said, adding that another 11 foreign-funded businesses are being built there. Forty percent of the zone's 213 hectares of land have been leased out to foreign firms.

Six office buildings and hotels are under construction at Hongqiao, another economic development zone in Shanghai. The two zones have attracted 200 million U.S. dollars in foreign investment.

By the end of April, Shanghai had attracted 1.98 billion U.S. dollars in foreign investment and approved 250 foreign-funded enterprises, the official said.

He said Hong Kong firms invest mainly in hotels, office buildings and other service trades, as well as the textile and light industries, while investment in high-technology industries comes from North America and West Europe.

He said that foreign investment in industrial projects has been on the increase. Of the city's 250 foreign-funded enterprises, 123, or about a half, are manufacturers and 17 others engage in construction, transportation and telecommunications sectors.

But two years ago, only five percent of foreign-funded businesses were manufacturers.

The official said foreign investment has helped Shanghai import technology, equipment and managerial expertise to upgrade its existing enterprises.

Test assessments show that cars from the Shanghai volkswagen corporation, a Sino-Federal German venture, program-controlled telephone sets from the Shanghai-bell telephone equipment manufacturing company, A Sino-Belgian venture, and microcomputers from the Shanghai Wang Computer Company, a Sino-U.S. venture, meet the advanced international standards.

Shanghai has adopted new ways to attract foreign funds, including leasing, the use of loans from foreign banks, issuance of bonds abroad and buyers' credits, the official said.

In January 1986, Shanghai issued 25 billion yen (about 125 million U.S. dollars) in bonds in Tokyo. Ninety percent of the money raised from the bonds are now used to import technology and equipment for Shanghai's textile, chemical, pharmaceutical and light industries.

Last month, the bank of China issued 200 million U.S. dollars in bonds in Singapore, half of which will be extended to Shanghai for its infrastructure construction and industrial upgrading projects.

The city has just received 145 million U.S. dollars in a loan from the world bank for its waste-water treatment project. Earlier this year, the Netherlands government granted Shanghai a soft loan to expand the city's Hongqiao International Airport.

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CSO: 4020/194

## XINJIANG'S HORGOS SERVES SINO-SOVIET BORDER TRADE

OW210759 Beijing XINHUA in English 0658 GMT 21 May 87

[Text] Urumqi, 21 May (XINHUA)--Horgos, previously a small settlement in the Xinjiang Uygur autonomous region, bordering the Soviet Union, has become a boom town and the largest trading center on China's northwestern border.

Situated 90 kilometers west of Yining City, capital of the Kazak autonomous prefecture, Horgos acted as a trading town for years, only to be closed as a result of the ideological dispute between the two countries during the 1960s, said Wang Cunfa, head of the Horgos administration.

When the town reopened as an important outlet for the flow of goods from both sides in 1983, Horgos only had a population of 100, Wang said.

Four years have passed since then and Horgos has turned out to be a hub of Sino-Soviet trade along China's western borders. According to Wang, the goods handled through the town amounted to 50,000 tons in 1984, 105,000 tons in 1985 and 120,000 tons last year.

Yan Longhao, deputy manager of the Horgos branch of the China National Foreign Trade Transportation Corporation, said that the town now not only handles goods for the central government but also for the regional government.

"So far, trade goods contracted have already amounted to 50,000 tons since the beginning of this year," he said.

Yan went on to say that the regional government plans to import 5,000 tons of chemical products, 5,000 tons of steel products, 1,000 refrigerators and 100 pianos from the Soviet Union and export 43,000 thermos bottles, 100,000 aluminum teapots, 63,000 paint brushes and 47,000 flashlights.

Yan described the trade between the two sides as friendly, cooperative and smooth. "The Soviet drivers are satisfied with our accommodation and working procedures while unloading their goods here," Yan said.

Horgos receives an average of 20 trucks daily from the Soviet side. Sometimes the figure can reach 30, Yan said.

The development of the trade has helped Horgos prosper in many other fields, particularly in the tourism, communications and service industries.

The number of people from both sides passing through Horgos has also increased greatly. The frontier station saw 720 people passing through in 1984, 1,800 in 1985 and 2,700 last year.

The border residents in the region, many of whom are of minority ethnic groups and have relatives on the other side of the boundary, had been banned from exchanging visits for years because of the problems between the two countries, an official, Wang Cunfa, said.

"But in recent years," he said, "more and more people are being allowed to visit their relatives across the border."

Besides, tourists from other countries have also come to Horgos. "Every year, an average of 10,000 tourists pass through Horgos," Wang said. "This year, another six groups totalling 388 tourists from the United States, Japan, France, Britain, Australia and Canada will come to China through Horgos."

This has resulted in an increase in construction activity. Only four years ago, there was not a single two-story building in Horgos but now a dozen new buildings of several stories have been erected. The residents, who used to have to drink river water and break the ice to fetch it in winter, are supplied with running water and electricity.

The work units and organizations stationed in Horgos now number 22 including the customs, the transportation company, the frontier station, the quarantine station, a bank, a store, a post office, a weather station and the Horgos administrative building. And the Horgos television station is under construction and will go into operation within this year, according to Wang.

Over the past three years, the state has invested six million yuan in the town, which now has a population of 500 and covers an area five times that of a few years ago, Wang said.

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CSO: 4020/194

## BRIEFS

JAPANESE INVESTMENT TOO LOW--Shanghai, April 25 KYODO--Shanghai Major Jiang Zemin expressed discontent Saturday at the small amount of Japanese investment in the city's infrastructural and technological development projects. Jiang told a news conference there are 242 cases of foreign investment totaling 1.62 billion dollars, of which Japanese investment accounts for only 32 cases with 215 million dollars. He said Japanese investment in the manufacturing industry amounts to only 9.38 million dollars. Jiang noted that monthly rent for offices and houses in Shanghai has risen to 1.2 million yen from 400,000 yen and said municipal authorities will study the situation to compare it with international standards. The mayor said the central government has already approved five municipal projects, including construction of a subway, bridge, river dredging, airport expansion and the expansion of telephone networks. [Text] [Tokyo KYODO in English 0931 GMT 25 Apr 87 OW]

TRADE WITH FOREIGN FIRMS--Nanjing, April 26 (XINHUA)--Six large enterprises in East China's Jiangsu Province have received approval to handle imports and exports directly from foreign countries, said a provincial foreign trade official today. "Giving special foreign trade rights to the companies, which used to be under state control, is one of the important measures in developing export-oriented enterprises," said an official of the Commission of Foreign Economic Relations and Trade. All six enterprises are large key industrial factories which boast strong contingents of technical personnel and modern equipment. They produce name brand products. "Having large enterprises directly involved in foreign trade will accelerate foreign trade growth, raise work efficiency, and help the enterprises to keep up with international market trends," said a factory director. The Nanjing Chemicals Import and Export Company has exported products valued at 3.2 million U.S. dollars since it was authorized to handle foreign trade transactions in 1985. The company is expected to earn 4 million U.S. dollars this year. "The province will increase the number of such enterprises although plans are still in the initial stages, the official said. [Text] [Beijing XINHUA in English 1425 GMT 26 Apr 87 OW]

SOVIET-HEILONGJIANG TRADE TALKS CONCLUDE--During the first part of April, a Soviet delegation and the Heilongjiang Provincial Foreign Trade General Corporation held talks to further develop and expand border trade, recorded minutes of the talks and signed a portion of 1987's export commodity contracts. Among the ten items to be imported are cement and lumber; exports will include beef, shelled peanuts and apples. [Text] [Beijing GUOJI SHANGBAO in Chinese 28 Apr 87 p 1]

SINO-LATIN TRADE TRANSPORT IMPROVES--In recent years, although economic and trade relations between China and Latin America have greatly developed, trade transport has not kept pace; Latin American businessmen generally consider that China's export deliveries take too long. To reverse this situation and, moreover, to meet the growing needs of Sino-Latin American trade, the China National Foreign Trade Transportation Corporation and the China National Metals and Minerals Import and Export Corporation, with the assistance of the Brazilian departments concerned, have established and put into operation a Latin-Asian transportation agent firm in Rio de Janeiro. The aim of this corporation is to provide customers with superior service and to promote the development of Sino-Latin American economic relations and trade. The services include ocean shipping, chartering, air transport and multi-forms of through transportation. The corporation's business is thriving. [Text] [Beijing GUOJI SHANGBAO in Chinese 28 Apr 87 p 1]

LIAONING'S GOVERNOR ON FOREIGN TRADE--Shenyang, 22 May (XINHUA)--Northeast China's Liaoning Province has attracted more foreign investors since it offered preferential treatment and a convenient investment environment. "This year, over 130 entrepreneurs from 17 countries have signed 29 contracts worth 212 million U.S. dollars, three times the figure in the first half of last year," said Governor Li Changchun. Foreign technology and equipment have helped 1,250 enterprises in the province to upgrade their production machinery to the world levels of 1980s. The governor outlined three features of the province's trade with foreign countries this year: Increased investment, expansion of export-oriented enterprises and more trade involving economic cooperation with foreign firms. "The province wants more foreign investment and imported equipment to help economic development in the Liaodong peninsula and upgrading existing equipment in 219 key enterprises in the province. [Text] [Beijing XINHUA in English 0601 GMT 22 May 87 OW] /12624

FUJIAN EXPORT BASES INCREASE--Fuzhou, 21 May (XINHUA)--During the first three months of this year, the export earnings in foreign currency of the export-oriented bases of Fujian Province increased 68.5 percent more than in the same period last year. According to the foreign trade corporation of the province, the volume of export commodities produced by the bases accounted for 21.9 percent of the province's total in 1986. The export earnings in foreign currency increased 106.45 percent more than in 1985. The bases, which turn out 13 kinds of products including eels, prawns, asparagus, fruit, sports shoes and granite, have begun to take shape. Already 70 plants have gone into production. In the construction of the bases the province formed a large-scale export-oriented production system by way of inter-regional cooperation. The export of ten kinds of products earned 87.7 million U.S. dollars in foreign currency last year, 54.8 million more than in 1985, amounting to 18 percent of the province's total. [Text] [Beijing XINHUA in English 0204 GMT 21 May 87 OW] /12624

CSO: 4020/194

## SHENZHEN TO MANUFACTURE VIDEO, COMPACT DISKS

OW220646 Beijing XINHUA in English 0615 GMT 22 May 87

[Text] Shenzhen, 22 May (XINHUA)--Shenzhen will become China's first video and compact disk manufacturer, when a Sino-Dutch joint venture starts production next year.

The Shenzhen Hi-tech Laser-video Corporation, Ltd. and the Netherlands-based Philips Company will jointly invest 40 million U.S. dollars in the project.

"The founding of this joint venture reflects China's progress in advanced technology through foreign investment," the project's head engineer, Yan Guorong, said.

"This joint venture will have exclusive rights of production," Yan explained, "and related state council departments will not approve any similar Sino-foreign cooperation."

"Construction of the 50,000-square-meter workshop is nearly finished," Yan reported, adding the corporation is designed to manufacture 1.5 million video disks annually and 25,000 video disk players, in addition to producing five million compact disks and 50,000 compact disk players a year.

"The factory will also produce 25,000 players capable of playing both video and compact disks," Yan went on, "and is expected to sell products worth 100 million yuan (27 million U.S. dollars) next year, with the figure increasing at an annual rate of 100 million yuan (27 million U.S. dollars)."

"China offers a big market for video and compact disks," the engineer said, "and during the 1986-90 period China's educational departments will need 15 million video disks, and 300,000 players as key teaching equipment."

According to Yan, "by the year 2000, there will be a demand for three million video disk players."

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CSO: 4020/194

## OPEN POLICY HELPING ZHANJIANG PROSPER

OW271741 Beijing XINHUA in English 1410 GMT 27 Apr 87

[Text] Beijing, April 27 (XINHUA)--Zhanjiang's exports in the first quarter this year, increased 44 per cent over the same period last year, a local official in charge of foreign trade said here today.

Zhanjiang, on the South China Sea in Guangdong Province, is one of China's 14 open coastal cities. Zhanjiang Harbor is the deepest ice-free port in South China, and offers navigational services to 70 countries in Asia, Europe, Africa, America and Oceania.

"The city exports 16 products, including aquatic products, household electric appliances, and steel-wood furniture, to 59 countries," Sun Haifeng who is now in Beijing told XINHUA today, adding "the exports to Hong Kong and Macao account for 72 per cent of the city's total."

"Exports of agricultural and light industrial products are booming," the official noted, "and these two sectors pulled in a combined income of 6,800 [as received] U.S. dollars last year."

The city imported technology valued at 50,000 U.S. dollars, including 3,325 pieces of equipment and assembly lines for 109 projects in 16 trades manufacturing household electric appliances, electronic components, and foodstuffs.

"Agriculture is the focus of the city's foreign investment, and 19 joint and cooperative enterprises are cultivating 4400 hectares of shrimp and fish, which can earn five million U.S. dollars annually," the official explained, adding Zhanjiang has also spent foreign capital to improve 1,333 hectares of "Hongjiang" oranges.

The city has developed many profitable export-oriented items, and last year, it invested 270 million yuan (about 72.9 million U.S. dollars) in developing 30 kinds of products, including electrical equipment, bamboo products and linen articles.

The Zhanjiang economic and technical development zone is growing rapidly, and now boasts 14,500 square meters of factory space in the 9.2 square kilometer zone, the official added.

Since the city started doing business under the open policy in 1984, Zhanjiang has signed 433 production contracts with foreign concerns, involving 210 joint ventures and cooperative enterprises, he said.

ECONOMIC ZONES

ECONOMIC

BRIEFS

NEW ECONOMIC ZONE IN FUJIAN--Fuzhou, 23 May (XINHUA)--The construction of infrastructure in the Mawei economic development zone has been completed smoothly with an investment of 88.8 million U.S. dollars. Bordering Mawei port, southeast of Fuzhou, capital of Fujian Province, the 23-square-kilometer zone was set up in January 1985 and is open to foreign and overseas Chinese investors. "A highway has been constructed between Mawei and Fuzhou city, communications facilities and running water have been installed, and factory buildings and residential quarters have been erected in the past two years," said Liu Wenpeng, vice-mayor of Fuzhou city. Over 400 foreign businessmen from the United States, Japan, Singapore, and other countries and regions held discussions on investment in the area last year. Nine out of the 23 joint ventures agreed upon have gone into operation. Another seven enterprises formed by other enterprises from other parts of China through lateral cooperation created a total output value of 35.69 million yuan last year. According to the vice-mayor, the zone aims at realizing an output value of 120 million yuan and producing 2.5 million U.S. dollars in foreign exchange through ten production sectors, including textiles, food, electronics and engineering this year. [Text] [Beijing XINHUA in English 0558 GMT 23 May 87 OW] /12624

CSO: 4020/194

**FUJIAN BECOMES COUNTRY'S LARGEST LABOR EXPORTER**

OWI70328 Beijing XINHUA in English 0121 GMT 17 May 87

[Text] Fuzhou, 17 May (XINHUA)--Southern China's Fujian Province has become the country's largest exporter of labor. So far the province has offered more than 7,900 people to numerous countries and regions, including Bangladesh, Argentina, the Philippines, Kuwait and Hong Kong and Macao. Provincial officials have signed 339 agreements offering laborers for construction projects, involving U.S. \$195 million.

The volume of contracts jumped to U.S. \$106 million in 1986 from U.S. \$42 million in 1985, said an official of the Fujian Corporation for International Economic and Technological Cooperation. The corporation this month won a contract worth 38.97 million Hong Kong dollars to build an indoor sports building in Hong Kong.

Other construction contracts signed by the province with foreign countries and regions include highways, cement and irrigation projects, a sugarcane processing plant, a sugar refinery, power stations and substations.

The skills of workers sent abroad range from seamen to cooks, architects to tailors and carpenters, the official said.

To date, the province has set up 11 joint ventures in 8 countries, including a furniture factory in the Yemen Arab Republic, a mosquito-repellent incense factory in Bangladesh, a construction development company in Thailand and restaurants in Britain. Seven of them have actually gone into production.

The official also said that much of the exported laborers come from densely populated coastal areas and undeveloped mountain regions.

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CSO: 4020/188

**SHANGHAI WORKERS THRIVE ON JOB RESPONSIBILITY**

OW111301 Beijing XINHUA in English 1245 GMT 11 Apr 87

[Text] Shanghai, 11 Apr (XINHUA)--Shanghai's factory workers are now more interested in production since the implementation of several job responsibility systems, a local union official said today.

The new policies, including the factory director responsibility system, are eliminating old practices, such as "the iron rice bowl" and "eating from the same big pot," by linking worker interest with performance and factory efficiency.

"Under the new systems," a factory official said, "enterprises can earn more, and workers can get more bonuses from increased production."

According to statistics, last year, 580,000 workers made 500,000 suggestions on management, equipment renovation and production, and 217,000 of the suggestions have already been implemented in their factories, resulting in additional profits of 697 million yuan (U.S. \$188 million).

The Shanghai No. 9 knitting mill wanted to purchase equipment to produce sportswear last year, but a maintenance worker, Dong Guohua, suggested renovating the existing equipment.

Dong's suggestion saved the 162,000 yuan (U.S. \$43,700) originally allocated for the purchase and raised an additional 556,000 yuan (U.S. \$150,000) in profits last year.

Zhang Yuesong, employed by an egg wholesale shop, suggested grading eggs at the production areas before transporting them, and reduced damage from 3.5 percent to 0.5 percent.

The Shanghai No. 5 iron and steel plant gives "advisors awards" to workers who make suggestions according to the economic results achieved, and last year, the plant earned profits of 15 million yuan (U.S. \$4.1 million) from workers' suggestions. "In Shanghai, to date, over 700 enterprises, or a quarter of the total, have implemented the factory director responsibility system," the official reported.

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CSO: 4020/188

POPULATION

ECONOMIC

BRIEFS

FAMILY PLANNING MISUNDERSTOOD--United Nations, 12 May (XINHUA)--China's policy on family planning has been largely misunderstood, a UN official said here this afternoon. The new executive director of the UN fund for population activities Nafis Sadik said, "the one child per couple policy is not the kind of policy pushed by some zealots as described by some western media." Even during the heyday of this policy, the average number of children per couple in China was 2.1, and that number has risen to 2.2 lately, she said at a press conference. However, she said that this is not "a breakdown" of China's population policy as asserted by some foreign journalists. The slight increase in the birthrate is primarily the result of a growing number of young women entering bearing age, she said. Moreover, she pointed out, almost 25 percent of the Chinese population is not completely covered with medical care, which is another factor in sustaining the birthrate. In this regard, she said, the Chinese Government is doing its best to improve the health care for the population. The task of family planning in China is more a problem of education rather than administration, she said. [Text] [Beijing XINHUA in English 0619 GMT 13 May 87 OW] /9738

CSO: 4020/188

**CIVIL AVIATION ADMINISTRATION IMPROVES SERVICE**

OW280848 Beijing XINHUA in English 0716 GMT 28 Apr 87

[Text] Beijing, 28, Apr (XINHUA)--The passenger volume of the Civil Aviation Administration of China (CAAC) increased 40 percent during the first three months of this year, today's PEOPLE's DAILY reported.

"The number of flights available increased 33.8 percent, with a total of 1,572 flights now in service," a CAAC official reported, "and six subsidiary companies have been set up this year to improve service and administration."

"More international flights, including Shantou-Hong Kong continuing to Singapore and Bangkok, Shenyang-Hong Kong, Haikou-Singapore and Xiamen-Singapore, started running this year," he said, adding new domestic air routes include Shenyang-Beijing, Tianjin-Urumqi, Tianjin-Chengdu, Guangzhou-Beihai, Shanghai-Hangzhou and Beijing-Lhasa.

According to the official, with the opening of the Beijing-Lhasa route, all provincial and regional capitals now have direct flights to Beijing.

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CSO: 4020/193

## GUANGDONG SHELVES PLANS FOR REGIONAL AIRLINE

HK280745 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English  
28 Apr 87 pp 1, 3

[By Olivia Sin]

[Text] Guangdong has shelved plans to set up its own regional airline because of financial reasons, according to its vice governor, Mr Kuang Ji.

He told the SOUTH CHINA MORNING POST that a feasibility study conducted by the province found that the venture would face a high level of economic risk and also require huge outlay of capital.

"The proposal is not economically viable--that is why we decided not to go ahead with it," he said. "However, the plan may be reconsidered in the future."

Mr Kuang said the study also showed that the Civil Aviation Administration of China (CAAC), the national carrier, satisfies the traffic needs of the province.

In a bid to break the monopoly of CAAC, Guangdong and other Chinese provinces proposed to set up their own airlines with regional resources about two years ago.

"But it is a fact that the market is not big enough for many airlines to compete for a share--we don't want to suffer losses," he said. "Few countries in the world allow dozens of airlines to compete for the home market."

So far only several places like Shanghai and Xiamen have set up their own airlines. But their ventures are not without problems.

The official CHINA YOUTH NEWS recently said many problems faced by the regional airlines have prevented them from competing with the national carrier.

The paper said the regional airlines have difficulties in recruiting qualified pilots and sourcing enough spare parts for their aircraft.

It said the regional airlines were forbidden from using many of the existing airports controlled by the CAAC.

In a wide-ranging interview in Shenzhen last week, Mr Kuang detailed the province's plan to increase energy supplies and to improve transportation during the Seventh 5-Year Period (1986-90).

Mr Kuang was invited to Shenzhen to officiate at the switching-on ceremony of the Shajiao B power station, a joint venture between China and Hopewell Holdings.

On airports, he said the province has a total of nine airports in places like Guangzhou, Shantou, Shaoquan, Zhanjiang, Huiyang and Haikou (Hainan Island).

The province has decided to expand the White Cloud Airport in Guangzhou and is considering plans by Shenzhen and Zhuhai to build an airport.

While saying that airports will facilitate the transport links to the two special economic zones, he said the problems are that airports require huge investment but do not generate direct earnings.

On the other hand, he said power stations, among other key projects, have been given first priority in getting state funds. Power supplies in the province have remained almost stagnant for the past 30 years for various reasons.

But Guangdong is determined to change this and it plans to double its power generating capacity at a total cost of 10 billion yuan (HK\$21 billion) between 1986-1990.

"This year will see the biggest increase of power generating capacity in the province since 1949," he said.

Guangdong will have a total of 1,070 megawatts of new power generating capacity this year and an extra 500 mw capacity annually has been earmarked for the next three years.

By December, Guangdong will have a total of 2,640 mw of power generating capacity. The extra 1,070 mw will come from the 2 x 350 mw Shajiao B station, the 200 mw Shajiao A station, a 110 mw power plant in Shantou and another 60 mw hydro-electric station.

The converse power supplies, the government has restricted the use of air-conditioners and other household appliances like rice cookers, he said.

Guangdong issued bonds worth millions of yuan last year to raise funds for building power plants and the response was satisfactory. "We may issue more to finance our needs in the future," he said.

But Mr Kuang admitted that the problem of earning sufficient hard exchange to pay back foreign investment is hindering the province from forming more joint ventures to build power stations like the Shajiao B station.

On transportation, he said the province will spend about nine billion yuan to improve its road systems, railways and port facilities in the next few years.

Apart from the 302 kilometre Guangzhou-Shenzhen-Zhuhai super-highway, he said the province will spend up to three billion yuan to update its more than 4,000 km of third-grade highway as well as 60,000 km of side lanes linking various counties.

Another two to three billion yuan will be spent in extending Guangzhou's railway links with other cities and other provinces, he said.

The Guangzhou-Hengyang railway line will be completed next year and Guangzhou-Maoming link is being built.

In addition, Guangdong also plans to add six berths which can handle 30,000 tons vessels to its Huangpu harbour before 1990. Chiwan in Shenzhen will have an extra two berths while Mawan will build one more berth.

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CSO; 4020/193

**LI PENG GIVES GO-AHEAD ON SHENZHEN AIRPORT PROJECT**

OW251329 Tokyo KYODO in English 1152 GMT 25 Apr 87

[Text] Shenzhen, China, 25 Apr (KYODO)--China plans to build an international airport on the bay off Shenzhen, Guangdong Province, in neighboring Hong Kong, Shenzhen Vice Mayor Zhou Xiwu said Saturday.

Zhou told KYODO News Service that Vice Premier Li Peng gave the go-ahead to build the airport on the Shenzhen Bay when he visited the city for inspection last February.

Zhou said China had long been studying where to build the airport and the State Council will soon sanction the Zhenzhen Bay airport project.

He said the construction site has the advantage of being near Shenzhen and Hong Kong, pointing out the new airport can adequately serve as an alternative to Hong Kong's international airport.

Zhou also disclosed a plan to connect the new airport with a 302-kilometer expressway linking Shenzhen, Guangzhou and Zhuhai, on which construction work began Thursday.

Some members of Hong Kong's business circle are also planning to build a new airport on the sea off southwest Hong Kong Island.

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CSO: 4020/193

## BRIEFS

LIAONING FARM MACHINE SALES--In the first quarter, total sales of farm machines in Liaoning Province were 93,530,000 yuan, an increase of 14.6 percent over the same period in 1986; tractor sales increased 18.1 percent, processing machine sales increased 12.8 percent, and maintenance and repair equipment sales increased 28.5 percent. But the supply of farm machines does not meet demand. [Excerpts] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 5 May 87 p 3]

FUJIAN FARM MACHINE SALES--In the first quarter, total sales of farm machines in Fujian Province were 74,080,000 yuan, an increase of 25.5 percent over the same period in 1986; large and medium-sized tractor sales decreased 59 percent, processing machine sales increased 32 percent, and maintenance and repair equipment sales increased 12 percent. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 5 May 87 p 3]

HEILONGJIANG FARM MACHINE SALES--In the first quarter, the output value of the farm machine industry in Heilongjiang Province was 145,150,000 yuan, an increase of 34.4 percent over the same period in 1986. Total sales in the first quarter were 159,140,000 yuan, an increase of 55 percent over the same period in 1986. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 5 May 87 p 3]

NEI MONGGOL FARM MACHINE SALES--In the first quarter, net sales of farm machines in Nei Monggol were 65,270,000 yuan, an increase of 37.4 percent over the same period in 1986. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 5 May 87 p 3]

SHANXI FARM MACHINE SALES--According to statistics, the value of farm machine sales in Shanxi Province in the first quarter was 77,760,000 yuan, an increase of 49.8 percent over the same period in 1986. Sales of all types of farm machines have increased, 289 large and medium-sized tractors were sold, an increase of 119 over 1986; 5,772 small tractors were sold, an increase of 3,137; and 7,091 water pumps, an increase of 2,057. The output value of farm machines in the first quarter was 53,950,000 yuan, accounting for 28.1 percent of the annual plan, and an increase of 38.69 percent over the same period in 1986. [Excerpts] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 9 May 87 p 3]

GUANGDONG FARM MACHINE SALES--In the first quarter, the output value of the farm machine industry in Guangdong Province was 153,840,000 yuan, a 14.9 percent increase over the same period in 1986. The sales value was 161,950,000 yuan, an increase of 17.9 percent over the same period in 1986. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 2 May 87 p 5]

SHANGHAI FARM MACHINE SALES--In the first quarter, the total sales of farm machines in Shanghai were 55,960,000 yuan, and net sales were 37,400,000 yuan, increases of 19.8 percent and 26.4 percent respectively over the same period in 1986. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 2 May 87 p 3]

GANSU FARM MACHINE SALES--In the first quarter, total sales of farm machines in Gansu Province were 60,259,000 yuan, an increase of 32.7 percent over the same period in 1986. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 2 May 87 p 3]

PLA SHRIMP BREEDING--In 1986, the shrimp breeding water area of the PLA was 42,000 mu, and shrimp output totaled 5,670,000 jin. [Excerpt] [Beijing JIEFANGJUN BAO in Chinese 23 Apr 87 p 2]

HUBEI FARM LOANS--As of the end of March, agricultural banks and credit cooperatives in Hubei Province had provided 2.14 billion yuan in loans for spring plowing, a more than 1.15 billion yuan increase over the same period in 1986. [Excerpt] [Beijing NONGMIN RIBAO in Chinese 27 Apr 87 p 1]

QINGHAI FARM MACHINES--For the past two years, the rate of mechanization of farms and the livestock industry in Qinghai Province has rapidly increased. By the end of 1986, on average every 12 peasant households had one tractor. In 1986, the per capita net income of peasant households in the province was more than 369 yuan, an increase of more than 26 yuan over 1985. [Excerpt] [Beijing NONGMIN RIBAO in Chinese 7 May 87 p 1]

YUNNAN PEASANT INCOME--According to a sample survey of 2,400 peasant households in 40 counties, the per capita cash income of peasants in Yunnan Province in the first quarter of 1987 was 73.74 yuan, a 22.2 percent increase over the same period in 1986. Per capita expenses for household production operations in the first quarter was 21.95 yuan, a 56.6 percent increase over the same period in 1986. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 27 Apr 87 p 1]

YUNNAN RAPESEED OUTPUT--Rapeseed output in Yunnan Province will be about 150 million jin this spring, a more than 35 percent increase over 1986. The area sown to rapeseeds is 11,349,000 mu, a 7.3 percent increase over 1986. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 8 May 87 p 1]

SHAANXI TEA OUTPUT--In 1987, tea output in Shaanxi Province is expected to exceed 3,500,000 kilograms. [Excerpt] [Beijing ZHONGGUO SHANGYE BAO in Chinese 12 May 87 p 3]

HEBEI FARM MACHINE SALES--In the first quarter of 1987, the gross output value of the farm machine industry in Hebei Province was 210 million yuan, fulfilling 26.8 percent of the annual plan, and a 25.7 percent increase over the same period in 1986. In the first 3 months of 1987, the province produced 14,000 small four-wheeled tractors, 10,000 diesel engines, and 44,000 water pumps. In the first 3 months of 1987, the sales value of farm machines was 220 million yuan, a 58.5 percent increase over the same period in 1986. The province sold 23,500 small four-wheeled tractors, 32,000 water pumps, and 34,000 diesel engines. [Excerpts] [Shijiazhuang HEBEI RIBAO in Chinese 10 May 87 p 1]

SHANDONG FRUIT OUTPUT--The gross output of fruit in Shandong Province for 1987 is estimated to be 2,500,000 tons. [Excerpt] [Beijing NONGMIN RIBAO in Chinese 2 May 87 p 2]

ANHUI AGRICULTURAL LOANS--As of the end of March, credit cooperatives in Anhui Province had provided 1,660,000,000 yuan in agricultural loans, an increase of 950,000,000 yuan over the same period in 1986. This year the proportion of reserve funds that credit cooperatives hand over to agricultural banks will drop from 25 percent to 10 percent. Agricultural banks will no longer stipulate rural savings tasks for credit cooperatives. In the first 3 months of 1987, rural savings in credit cooperatives were 2,990,000,000 yuan, an increase of 190,000,000 yuan over the same period in 1986. [Excerpts] [Hefei ANHUI RIBAO in Chinese 2 May 87 p 3]

JIANGSU WATERMELON OUTPUT--This year the area sown to watermelon in Jiangsu Province is 1,037,000 mu, an increase of 3.9 percent over 1986. Estimated gross output is 1,200,000 tons. [Excerpt] [Nanjing XINWUA RIBAO in Chinese 13 May 87 p 2]

SICHUAN FERTILIZER OUTPUT--In April, Sichuan Province produced 157,410 tons of chemical fertilizer, an increase of 13.56 over the same month in 1986. Pesticide output in April increased 54 percent over the same month in 1986. [Excerpt] [Chengdu SICHUAN RIBAO in Chinese 14 May 87 p 1]

YUNNAN FARM SUPPLIES--At the end of February, supply and marketing cooperatives in Yunnan Province sold 348,000 tons of chemical fertilizers, a 76 percent increase over the same period in 1986; supplied 587 tons of plastic film, a 55 percent increase; supplied 897 tons of pesticides, a 53 percent increase; and supplied 1,433,000 farm tools, an 8 percent increase. The gross value of farm materials provided was 91,880,000 yuan, a 68 percent increase over the same period in 1986. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 29 Apr 87 p 2]

CSO: 4006/714

TAIWAN

\$410 MILLION IN U.S. FARM PRODUCTS TO BE PURCHASED

OW130439 Taipei CNA in English 0247 GMT 13 May 87

[Text] Taipei, 13 May (CNA)--The agricultural section of the 13th "buy American mission" of the Republic of China [ROC] will leave Taipei for the United States June 5 to buy U.S. \$410 million worth of seven agricultural products.

The Board of Foreign Trade [BOFT] Tuesday invited representatives of the companies which will join the mission to discuss details of the mission's activities in the U.S.

The meeting decided to buy U.S. \$80 million of corn, U.S. \$100 million of soybeans, U.S. \$34 million of wheat, U.S. \$4 million of barley, U.S. \$130 million of cotton, U.S. \$2.7 million of condensed fruit juices and U.S. \$54 million of tobacco leaves.

The mission, to be headed by BOFT Director General Vincent C. Siew, will visit Texas, Montana, Nebraska, Missouri, Ohio, Michigan, Illinois, Louisiana, Oregon, Kansas and Washington, D.C.

The mission will meet the ROC engineering equipment purchasing mission in Washington, D.C. June 20. The two missions will then jointly meet the press there June 23 and will return home by the end of June.

The engineering mission has tentatively decided to buy U.S. \$70 million of power plant construction materials and petrochemical products. Their departure date has not yet been decided.

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CSO: 4020/188

TAIWAN

'SECOND WAVE' OF TARIFF CUTS STUDIED

OW080401 Taipei CNA in English 0312 GMT 8 May 87

[Text] Taipei, 8 May (CNA)--Ranking officials of the Ministries of Finance and Economic Affairs will meet in Taipei Friday to discuss the second wave of import tariff cuts.

Vice Economics Minister Li Mo said Thursday that Economics Ministry officials have reached a consensus that the size of the second wave of tariff cuts should be expanded in order to stimulate imports and to reduce the nation's trade surplus.

Sources said the Economics Ministry has prepared a list of over 300 products, including petrochemical raw materials, for further tariff cuts.

An official of the Finance Ministry indicated that the size of tariff cuts and a list of product items will be determined Friday after consultations with the Economics Ministry.

The Finance Ministry is planning to reduce tariffs on tv sets from 25 percent to 17.5 percent and video tape recorders from 35 percent to 30 percent. Tariffs on other home electrical appliances, such as refrigerators, washing machines and electrical fans, will also be further reduced, the official said.

The Council of Agriculture has also proposed lower tariffs for various farm products, such as sea slugs, scallops and swallorn nests.

The second save of tariff cuts will be implemented after it is approved by the executive Yuan.

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CSO: 4020/188

TAIWAN

FOREIGN INVESTMENT SHOWS FIRST QUARTER INCREASE

OW091133 Taipei CNA in English 0944 GMT 9 May 87

[Text] Taipei, 9 May (CNA)--Foreign and overseas Chinese investments amounted to U.S. \$310 million in the first quarter of this year, an increase of U.S. \$187 million over the same period last year, according to the statistics compiled by the Investment Commission under the Economics Ministry.

The statistics showed that the electronics and electrical appliance industries attracted the largest share of investments from abroad; followed by chemicals, papermaking and paper product industries.

The statistics also showed signs that foreign and overseas Chinese investments have gradually shifted from labor-intensive to capital-and technology-intensive industries.

Officials of the Investment Commission said Friday that the government will continue soliciting foreign investments in machinery, automobiles, electrical engineering, telecommunications equipment and information product industries. The government will also promote technology transfer and technological cooperation with foreign high-tech firms by offering tax incentives and other preferential treatment.

The commission also has drawn up a plan to improve the domestic investment climate to attract investments from abroad so as to accelerate the upgrading of the nation's industrial structure.

The commission will also take steps to attract foreign investments in such service industries as banking, insurance and data processing.

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CSO: 4020/188

TAIWAN

PAPER NOTES DROP IN POPULATION GROWTH

OW120405 Taipei CNA in English 0252 GMT 12 May 87

[Text] Taipei, 12 May (CNA)--Due to the successful promotion of family planning over the past few years, the Republic of China [ROC] has effectively slowed population growth, according to a Taipei newspaper.

The UNITED DAILY NEWS said in a report that family planning has been so successful that some experts are beginning to worry that the nation will prematurely develop into an elderly society.

Since 1945, the report said, population in the Taiwan area steadily increased until 1981, nearly tripling over the four decades when the government stepped up its family planning efforts.

Quoting statistics by the Taiwan Provincial Family Planning Institute, the UNITED DAILY NEWS said the birth rate was reduced to 1.759 percent last year from 2.278 percent in 1982, and the population growth rate dropped to 1.249 percent from 1.799.

If the trend continues, it said, the nation is expected to see zero population growth by the year 2020.

The ROC's population growth rate is now the fourth lowest in Asia, trailing Japan, Singapore and Hong Kong, director Sun Te-hsiung of the Family Planning Institute was quoted as saying. In Sun's view, the nation's slowing population growth rate is attributable to the upgrading of education levels, the successful promotion of family planning and changes in the new generation's attitudes toward having babies.

As the Family Planning Institute has switched its stress from the slogan "one is enough" to "two is perfect", the report said the government's family planning projects are likely to concentrate their efforts on eugenic improvement while seeking to maintain an appropriate birth rate.

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TAIWAN

BRIEFS

U.S. STANDARDS ON STEEL--Kaohsiung, Southern Taiwan, 8 May (CNA)--The U.S. Mechanical Engineering Association is satisfied with the quality of the steel produce of the Chinese Steel Corporation [CSC] used in nuclear power plants in the Taiwan area. CSC is the world's eighth steel company endorsed by the association to produce steel for nuclear plants. Every year, the U.S. association conducts random inspections of steel plants around the world to ensure the necessary quality of their products. The association dispatched an engineer to CSC Thursday for an unannounced check of CSC's steel production and of its quality control process. The results of the check show that CSC's products completely meet the association's standards. [Text] [Taipei CNA in English 0321 GMT 8 May 87 OW] /9738

10 PERCENT GROWTH--Taipei, 9 May (CNA)--The economic growth of the Republic of China [ROC] is expected to reach 9-10 percent in the second quarter of 1987, thus bringing the growth rate for the first half of this year to 10 percent, Vice Economics Minister Li Mo said Friday. For the second half, Li predicts eight percent growth. He pointed out that there are several favorable factors for the nation's economic development. Internationally, he said, prices for agricultural and industrial raw materials remain stable; the substantive relations between the ROC and the European Common Market have greatly improved; U.S. pressures for the appreciation of the Japanese yen and the Korean won continue; and the trade deficit and unemployment rate in the U.S. are expected to fall. Domestically, Li said, exports are maintaining a high growth; investment is increasing; and the industrial structure has somewhat improved. On the other hand, Li pointed out some negative factors, such as the continued upward trend of the New Taiwan dollar, the increasing trade surplus and the high money supply. [Text] [Taipei CNA in English 0325 GMT 9 May 87 OW] /9738

BUYING MISSIONS VISIT U.S.--The Economics Ministry has decided to send trade missions to the United States in June to purchase a record U.S. \$1.1 billion worth of agricultural and industrial products. Director General of the Board of Foreign Trade, Vincent Chao, told reporters Wednesday that the buy-America missions are aimed at narrowing Taipei's trade surplus with Washington. The trade imbalance hit an all-time high of U.S. \$13.6 billion in 1986. The first mission to leave in early June will purchase corn, soybeans, wheat, barley, tobacco, cotton, and other agricultural products, amounting to some U.S. \$440

million. The second mission will leave in late June, and it will buy equipment and other industrial products totaling some U.S. \$700 million. The Republic of China Government has organized 12 similar missions since 1978. The missions have bought a total of U.S. \$8.1 billion worth of agricultural and industrial products. [Text] [Taipei International Service in English 0200 GMT 8 May 87 OW] /9738

INFORMATION PRODUCTS EXPORT--Taipei, 12 May (CNA)--The ROC [Republic of China] exported a record-high U.S. \$156.1 million worth of information products in February, more than double the amount recorded in February 1986, according to statistics released by the Market Intelligence Center, a research arm of the Institute for Information Industry. The January-February total of exported information products hit U.S. \$448.6 million, a 64 percent increase over the same period of the previous year. This total has thrust the ROC into the number one position of exporters of monitors, terminals and modems. The ROC exported 96.7 percent of its computer and computer related products in the first two months of 1987. [Text] [Taipei CNA in English 0332 GMT 12 May 87 OW] /9738

TAIWAN LIFTS IMPORT RESTRICTIONS--According to a report published in Taiwan's ECONOMIC DAILY, Taiwan's Executive Yuan has already sanctioned the Committee for Economic Construction's recommendation to lift import restrictions on certain traditional Chinese medicines including Chinese angelica, the fruit of Chinese wolfberry, red dates, day lilies, and black dates. From now on, Taiwan's private medicine merchants will be able to import these medicines freely. These traditional medicines are mainly produced for mainland consumption and in the past were strictly controlled by Taiwan authorities who only allowed the Taiwan Bureau of Materials and Goods to import them via entrepot trade. [Text] [Beijing RENMIN RIBAO in Chinese 18 May 87 p 3]

CSO:4006/677

HONG KONG, MACAO

BRITISH CHAMBER OF COMMERCE OPENS IN HONG KONG

OW191916 Beijing XINHUA in English 1515 GMT 19 May 87

[Text] Hong Kong, 19 May (XINHUA)--The newly formed British Chamber of Commerce here to overlook British trade interests in Hong Kong and the Chinese mainland has attracted more than 100 members.

This was disclosed here today by Tony Hudson, chairman of the chamber. He noted that the members are expected at least to double by the end of this year.

Incorporated two months ago, the chamber is a sign of the determination of British businessmen to do even better in this highly competitive environment, said Tony Hudson.

It is also regarded as a move by the latter to match with other countries in trade and investment in Hong Kong and the Chinese mainland, he added.

Alongside the chamber, a British business center is set up to provide an initial base for companies anxious to become established in Hong Kong to test the water here in an inexpensive way, Hudson said, enabling the first step to be made and increased contacts between the chamber and the companies that are coming. More than 50 British companies have come to establish in Hong Kong last year.

British direct investment in Hong Kong's manufacturing industry last year was 1,051 million Hong Kong dollars (U.S. \$134.7 million) compared with 795.8 million in 1985, ranking fourth and representing 6.8 percent of the total foreign investment.

British interests are still growing rapidly in Hong Kong, said senior British trade commissioner and director of the chamber R.E. Holloway. More than 33 British trade missions have moved into Hong Kong so far this year, the greatest number of all British overseas trade missions, compared with only 15 last year.

Over half of them have shown interest in doing business in the Chinese mainland, he added. More are expected for the rest of the year.

In 1986, British exports to Hong Kong were 961 million pounds (U.S. \$1,592 million at present value) whereas imports, 1,530 million pounds (U.S. \$2,539 million). British imports from the Chinese mainland were 327 million pounds (U.S. \$542 million) while exports, 536 million (U.S. \$889 million), resulting in a trade surplus of 209 million (U.S. \$346 million) in favor of the British side.

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END

## SPECIAL NOTICE

Effective 1 June 1987 JPRS reports will have a new cover design and color, and some reports will have a different title and format. Some of the color changes may be implemented earlier if existing supplies of stock are depleted.

The new cover colors will be as follows:

CHINA.....	aqua
EAST EUROPE.....	gold
SOVIET UNION.....	salmon
EAST ASIA.....	yellow
NEAR EAST & SOUTH ASIA...	blue
LATIN AMERICA.....	pink
WEST EUROPE.....	ivory
AFRICA (SUB-SAHARA).....	tan
SCIENCE & TECHNOLOGY.....	gray
WORLDWIDES.....	pewter

The changes that are of interest to readers of this report are as follows:

The CHINA REPORT: ECONOMIC AFFAIRS (CEA) and the CHINA REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS (CPS) will no longer be published. Material formerly found in these reports will appear in the CHINA (CAR) series.

CHINA/RED FLAG (CRF) will be issued as a separate series.

CHINA/STATE COUNCIL BULLETIN (CSB) will be issued as a separate series.

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